

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	USIA_Media_Reaction to [list] at 16:46:02.00. Subject: Daily Digest 5/1: Asian Financial Crisis. [partial] (1 page)	05/01/1998	P3/b(3)
002. email	USIA_Media_Reaction to [list] at 16:30:56.00. Subject: Daily Digest 6/4: Russian Financial Breakdown. [partial] (1 page)	06/04/1998	P3/b(3)
003. email	USIA_Media_Reaction to [list] at 16:13:52.00. Subject: Daily Digest: Russian Economic Crisis 7/9. [partial] (1 page)	07/09/1998	P3/b(3)

COLLECTION:

Clinton Presidential Records
Tape Restoration Project [Email]
WHO ([Latin America, IMF])
OA/Box Number: 500000

FOLDER TITLE:

[04/22/1998 - 07/09/1998]

2019-0152-F

ab1694

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

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ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: James A. Dorskind ("James A. Dorskind" <JDorskind@doc.gov> [UNKNOWN])

CREATION DATE/TIME:22-APR-1998 23:55:12.00

SUBJECT: DoC Weekly report -- enjoy (Also attached at WP doc)

TO: Lisa J. Levin (CN=Lisa J. Levin/OU=WHO/O=EOP [WHO])

READ:UNKNOWN

CC: Anita McNamee (Anita McNamee <AMcNamee1@doc.gov> [UNKNOWN])

READ:UNKNOWN

CC: edl (edl%ExSec%OSEC@doc.gov [UNKNOWN])

READ:UNKNOWN

TEXT:

April 22, 1998

MEMORANDUM FOR ERSKINE BOWLES

FROM: Jim Dorskind, Executive Secretary
for Secretary William M. Daley

SUBJECT: Report for April 27, 1998 - May 1, 1998

HOT ISSUES

Miami Trip and Earth Day: On April 22-23, Secretary Daley will be in South Florida to participate in Earth Day events. Highlights of the trip include a helicopter tour of the Florida Keys ecosystem, presentation of Environmental Hero awards to Florida citizens who have worked to preserve the marine environment, a visit to the National Weather Service (NWS)

Tropical Prediction Center (and the announcement of the new director of the Center), and an outing on a National Oceanic and Atmospheric Administration (NOAA) boat with middle school students for a coral reef classroom experience. Secretary Daley will also deliver opening remarks to a meeting of the Hemispheric Congress of the Latin Chambers of Commerce and Industry.

Santiago Summit of the Americas and State Visit to Chile:

Secretary

Daley accompanied President Clinton on his State visit to Chile and to the Summit of the Americas in Santiago, Chile. At the Summit, 34 heads of state met to formally launch the Free Trade Area of the Americas (FTAA) negotiations. The Secretary participated in the Summit session focused on regional trade and economics. While in Chile, Secretary Daley addressed the American Chamber of Commerce, led a NOAA-sponsored seminar highlighting the economic and social benefits of more accurate El Niño forecasting, and held several bilaterals, one of which -- with Chile's Minister of Economy Garcia --

was highlighted by the signing of a Joint Statement on Trade designed to facilitate U.S.-Chilean commercial contacts.

IMF Update: Secretary Daley's address to the American Chamber of Commerce in Santiago concentrated on the expected impact of the Asian crisis on companies in Latin America. The Secretary stressed the importance of supporting IMF efforts to assist Asia's economic recovery, and he encouraged the Chilean government to be active in APEC and to assist

the financially troubled Asian countries.

El Niño Update: NOAA provided information to OSTP on El Niño effects in support of Vice President Gore's recent visit to disaster sites in Georgia and Alabama. National Climatic Data Center (NCDC) data show that this year, Georgia and the southeast overall had the wettest winter on record. El Niño-fueled tornado-related deaths this year include: Georgia, 18; Alabama, 32; Florida, 42; North Carolina, 2; and Virginia, 2.

Tornado Activity Week of April 13: From April 13-15, tornadoes in Missouri damaged 20 trailers and homes, but the occupants suffered only minor injuries. There were no fatalities, as NWS warnings and watches had alerted local residents ahead of time. On April 16, tornadoes ripped through Arkansas into Tennessee and killed 2 people in each state. There were 19 injuries in Arkansas. Watches were in effect at least 3 hours ahead of the event. The NWS Memphis Forecast Office issued warnings for the area, with lead times of 23 to 30 minutes. Tornadoes also devastated an area of the southeast United States and Ohio Valley, causing seven deaths in Tennessee and Kentucky. Two tornadoes hit Nashville, Tennessee, causing no deaths but injuring 100 people and causing damages in the millions. A tornado watch was in effect at the time. Tornado warnings were issued by the NWS Nashville office 21 minutes ahead of the event. An aerial post-storm survey on the Nashville tornadoes will be conducted due to the uniqueness of a tornado hitting a downtown area.

Flooding Activity Week of April 13: A slow moving frontal system stretching from the Ohio Valley southwestward into Arkansas triggered tornadoes and heavy rains from April 15 through April 17. Rainfall intensities were as high as 4-7 inches in 12 hours across portions of Ohio and Indiana overnight on April 15. Widespread flash flooding was reported in southern portions of Missouri, Illinois, and Ohio, as well as in Tennessee and Kentucky. In Ohio, the excessive rains led to major flooding in the Little Miami River Basin. Scattered evacuations were necessary due to flooding. Many roads were closed and some roads were washed out or undermined. At least one flood fatality occurred in southeastern Kentucky as a result of a motorist trying to cross a swiftly flowing stream.

Trade with Africa: On April 16, in New Orleans, Deputy Secretary Robert Mallett delivered the keynote address at a "U.S. Trade and Investment in Africa" conference, which was attended by over 200 companies. The conference highlighted specific opportunities and identified resources available to assist U.S. businesses participating in the commercial development of Africa. Deputy Secretary Mallett outlined the Commerce Department's vigorous Africa commercial strategy, which focuses on the four themes of: capacity building, environment, trade and investment improvement, and electronic commerce. The Deputy Secretary also noted three areas that are particularly promising for American investors: Africa's infrastructure (ports, highways, railroads, and telecommunications), financial services, and agribusiness.

U/S Aaron Visit and Mission to China: Under Secretary for

International Trade David Aaron led a delegation of 18 infrastructure, technology, and insurance firms to China April 13-18. In Beijing, Aaron pressed for progress on a number of critical commercial issues during a subministerial session of the U.S.-China Joint Committee on Commerce and Trade and in meetings with top Chinese leaders. Another highlight was the signing of a \$167 million contract for Westinghouse (estimated \$86 million in U.S. content). In Shanghai, U/S Aaron witnessed the signing of two agreements: a \$10 million contract for York International to supply air conditioning equipment to the new Pudong International Airport and an IBM collaboration with the government of Shanghai to develop that city into an Information Port.

I. KEY DEPARTMENT NEWS

Special 301 Update: The results of the Special 301 review of foreign governments' intellectual property practices will be announced on April 30. Agencies are in the process of addressing the proposed status of Mexico and South Africa. The International Trade Administration's (ITA) Trade Compliance Center is working on a press release and announcement cables to Embassies, which will be circulated for interagency clearance.

US-Japan Enhanced Initiative on Deregulation: On April 14, Commerce co-chaired expert-level consultations in Washington on Japanese deregulation of medical devices and pharmaceuticals under the Enhanced Initiative. We pressed Japan aggressively for additional action on USG

deregulation priorities in the medical/pharmaceutical sector before President Clinton and Prime Minister Hashimoto review Japan's deregulation package at the Birmingham G-7 Summit. On April 16, DOC staff participated in U.S.-Japan discussions regarding the specific additional Japanese deregulation measures that the USG views as necessary for a successful deregulation package. U/S Aaron will urge further Japanese deregulation measures in bilateral meetings on the margins of the OECD later this month.

U.S.-Japan Deregulation Talks on Telecommunications: On April 15, DOC staff made the USG presentation to the Japanese Government on deregulating the direct-to-home (DTH) satellite services sector at a meeting of the expert level working group on telecommunications deregulation. We urged representatives from Japan's Ministry of Posts and Telecommunications to accelerate implementation of its deregulatory commitments on DTH services, and to build upon the progress made to date by committing to full liberalization of the sector. Staff also participated in discussions on other issues of concern, including interconnection into the Japanese network and rights of way for U.S. telecommunications companies.

NEXT GENERATION RADAR (NEXRAD) Contractor Prices Increase: The NWS is concerned about continually escalating costs to repair NEXRAD field equipment. On a price list for repairable items recently provided by Northrup-Grumman to the National Reconditioning Center (NRC), repair costs have doubled for most items and, in some cases, have more than doubled. The NRC has in-house capability to repair some of these items. For

example,

we currently repair the back-swing diode stack for \$646 versus the vendor's new price of \$5,361.89. Unfortunately NWS staffing levels limit the amount of repairs that can be performed in-house.

Greenpeace, American Oceans Campaign, and Sierra Club v. NMFS and William M. Daley: The plaintiffs filed suit April 15 in the U.S. District Court for the Western District of Washington. The complaint alleges violations of the National Environmental Policy Act, the Administrative Procedure Act, and the Endangered Species Act, in conjunction with NMFS management of the Bering Sea and Gulf of Alaska fisheries. The plaintiffs assert that NMFS has allowed too much fishing and thereby failed to protect endangered and threatened populations of Steller sea lions.

National Ocean Sciences Bowl: On April 26-27, in honor of the International Year of the Ocean, NOAA will help sponsor the National Ocean Sciences Bowl in Washington, D.C. The purpose of this competition is to reward and encourage outstanding high school students and to encourage students considering pursuing careers in oceanography and marine science. Many NOAA science professionals have volunteered their time to serve as judges or moderators or to otherwise help run the competition.

Hurricane Awareness: From April 27 to May 1, NWS will participate in the annual Hurricane Awareness tour. This year, the tour is scheduled for five stops along the Gulf Coast - Corpus Christi, TX, Beaumont/Port Arthur, TX, New Orleans, LA, Pensacola, FL, and Bradenton/Sarasota, FL. At each

stop, the public will be able to tour the NOAA P-3 hurricane research aircraft and participate in hurricane-related presentations. We expect that the tour will attract widespread media attention.

Committee on National Security: The Committee on National Security (CNS) interagency working group on international technology issues met on April 21 to discuss the first of several case studies that will be incorporated into a "best practices" report to the CNS Principals. The report will make recommendations on how the U.S. government can improve its technology transfer decision making. BXA is preparing a case study on the issue of export licensing jurisdiction for commercial communication satellites. This study will examine the interagency process and the implications of increasing international transfers of commercial communication satellite technology.

U.S.-China Export Control Seminar: During the U.S.-China Export Control Seminar held earlier this month, Assistant Secretary Roger Majak invited Assistant Minister of Foreign Trade and Economic Cooperation Sun Guangxiang to send a delegation of Chinese government and industry officials to BXA's Update West in early 1999. Although Sun hesitated to accept BXA's proposal for five more semiannual seminars, he invited Under Secretary Reinsch to lead a U.S. delegation to Beijing for the next seminar, with the date and topics to be determined through diplomatic channels.

U.S.-Russia Working Group Meeting on Export Controls: The first U.S.-Russia working group meeting on export controls was held in Moscow

April 7-8. DOC's Bureau of Export Administration (BXA) made presentations on legal and regulatory authority, licensing implementation, and enforcement of "catch-all" controls based on the end-use of items and activities. These controls are designed to prevent the proliferation of nuclear, chemical, and biological weapons and the missiles to deliver those weapons. Russian authorities expect to send legislation to the Duma by late June to implement similar catch-all controls. A mandatory internal compliance program, analogous to BXA's voluntary Export Management System, is expected to be ready within a month for all Russian exporting entities involved in weapons of mass destruction and missile-related goods and technologies.

Korean CBC Member Delegation: Korean members of the U.S.-Korea Committee on Business Cooperation (CBC) are visiting Washington during the week of April 20. The Korean delegates will meet with their U.S. industry-sector counterparts, and work toward completing work plans for joint initiatives in targeted areas such as government procurement, automobiles, telecommunications, and a business network on the Internet.

APEC Trade Liberalization Initiative: On April 20-24, Commerce will participate in a special meeting in Kuala Lumpur, Malaysia, on the APEC Early Voluntary Sectoral Liberalization (EVSL) initiative. At this meeting, the U.S. will seek to finalize agreements on nine of 15 EVSL sectors. In the weeks leading up to this meeting, Secretary Daley discussed the importance of EVSL and sought support for the U.S. position in meetings

with his counterparts from the Philippines, Chile, and Canada.

APEC Seminar on E-commerce: On April 28-29, the APEC Business Advisory Council will host a special seminar in Hong Kong on electronic commerce. ITA has been working with the U.S. business community to develop the agenda for this seminar, identify key non-U.S. sponsors (to dispel belief that the event is a USG initiative), and promote the event with other members of the APEC E-commerce Task Force. ITA is coordinating the interagency effort to ensure that USG representatives use this event to advance U.S. interests on privacy and authentication.

IBM Meeting Regarding Project in Pakistan: Acting Assistant Secretary Ellis Mottur met April 15 with Nissar Memon, President of IBM Pakistan, and Susan Tuttle from IBM's Washington, D.C., office. IBM is seeking USG advocacy support in light of a recent decision by Pakistan's Ministry of Interior to cancel IBM's national ID card project and retender it in the future. The project involves a turnkey contract, for which IBM negotiated and signed a contract on September 12, 1996. The total value of the project is \$57 million, with U.S. content of \$20 million. AA/S Mottur assured IBM of USG support.

Tariff Reduction Initiative with New Indian Government: Based on recommendations from companies, trade associations and advisory bodies, ITA is working with USTR to finalize a list of tariff requests for submission to the new Indian Government before the end of April. Consisting of over 575 tariff items, the wide-ranging list includes process control equipment,

white goods, wood and paper products, cosmetics and personal care products, medical equipment, telecom equipment and parts, and other goods, many of which are subject to the maximum 40 percent tariff as well as significant excise taxes. Due to protectionist pressures and revenue needs, there is no certainty that the new coalition government will announce new tariff reductions or be responsive to our requests when it submits its budget in June.

NRC PNGV Peer Review Report: On April 15, the National Research Council released its 4th Peer Report on the Partnership for a New Generation of Vehicles (PNGV). The report highlighted PNGV's progress, as well as the challenges facing the Big Three automakers and federal government partners in developing technologies for more fuel-efficient vehicles. The report states that major stumbling blocks may lie in the vehicle's affordability and its ability to meet strict emission standards.

Energy-Related Inventions Program Sunset: DOC's National Institute of Standards and Technology (NIST) will soon announce that it is formally ending its 22-year program that evaluated inventions as a service to the Department of Energy's (DOE) Energy-Related Inventions Program. DOE is assuming responsibility for inventions evaluation as part of a new DOE-operated inventions and innovation program. Since 1975, NIST has processed more than 33,000 requests for evaluation, accepted about 16,000 for evaluation, and recommended 741 for DOE support.

U.S. Environmental Technology Industry Study: DOC's Technology Administration will soon release its study of the U.S. Environmental

Technology Industry. The study has already been endorsed by more than twenty environmental business groups.

PTO Conference: On April 28, the Patent and Trademark Office (PTO) will host a conference at the Brookings Institution in Washington, D.C., on database protection and access issues.

Recent FOIA Request: A FOIA request was received on April 20 from Bob Kemper of the Chicago Tribune, requesting all correspondence to and from Senator Carol Moseley-Braun from January 1, 1992 to April 4, 1998.

Economic Development Administration (EDA) Grants: During the week of April 13-17, EDA approved 10 projects for a total government share of \$7.7 million.

Economics and Statistics Administration Economic Indicators
Release
Dates:

4/27 State Personal Income (4th Quarter)

Per Capita Personal Income, 1997 (preliminary)

4/28 Advance Report on Durable Goods - Manufacturers'

Shipments

and Orders (March)

4/29 New Single Family Homes Sold and For Sale (March)

5/1 Value of new Construction Put in Place (March)

II. AGENCY WORK ON PRESIDENTIAL INITIATIVES

President's Export Council Subcommittee on Encryption: The President's Export Council Subcommittee on Encryption (PECSENC) will hold its second meeting on April 23, chaired by Mr. Joe Adorjan, Chairman and CEO of Borg-Warner Security Corporation. The Subcommittee fulfills an October 1, 1996, commitment by President Clinton and Vice President Gore to establish a formal mechanism to provide industry, users, and state and local law enforcement with the opportunity to advise the U.S. Government on the future of commercial encryption policy.

President's Advisory Committee on the Public Interest Obligations of Digital Broadcasters (PIAC): The fifth meeting of the PIAC was held on April 14 at the National Association of Broadcasters. During the meeting, the NAB presented its study indicating that broadcasters' annual public interest contribution is \$6.85 billion. Representatives of the Benton Foundation and the Media Access Project cited their recently-released study that indicates many commercial broadcasters air no local public affairs programming.

Cuba Policy Developments: BXA is working to implement the President's

March 20 initiative to streamline the procedures for medical sales to Cuba, with the ultimate goal of aiding the Cuban people. On April 14, BXA and other agency representatives have met with medical industry association executives and will soon meet with humanitarian non-governmental organizations to facilitate sales of medical items to Cuba. BXA also participated in an April 16 interagency meeting to seek delegations of authority from Defense and ACDA on medical and other humanitarian exports to Cuba. On April 6, BXA approved an export license for a non-profit organization to donate medicines, valued at \$19 million, to several hospitals in Cuba.

Serbia Sanctions: BXA is working with State to develop the list of dual-use items that will be embargoed to Serbia under the recent United Nations resolution decrying Serbia's March 1998 repression in Kosovo. We have assembled a draft U.S. dual-use embargo list, chiefly derived from the Rwanda embargo list of 1994, and will circulate it for comment

shortly. The United Kingdom has suggested a number of police and crime control items that are now being added to the U.S. list. A draft regulation incorporating the final list will be circulated to agencies by April 24.

EDA Flood Recovery Effort: On 4/17/98, Assistant Secretary for Economic Development Phillip Singerman traveled to Grand Forks, ND, and East Grand Forks, MN, for ceremonies commemorating the one-year anniversary of the upper Midwest storm damage, and celebrating the disaster recovery

work that has been done to restore the area. Senators Dorgan and Conrad and Representative Pomeroy also participated.

Advanced Technology Program: April 22 was the closing application date for the Advanced Technology Program's focused programs in Digital Video in Information Networks, Catalysis and Biocatalysis Technologies, and Selective-Membrane Platforms.

III. NOTABLE CONGRESSIONAL ACTIVITY

Inquiry from House Commerce Committee: The National Telecommunications and Information Administration (NTIA) received a request from Chairman Bliley and Representative Rick White, Chairman of the Internet Caucus and member of the Telecommunications Subcommittee, asking questions on NTIA's activities and opinions regarding the structure and operation of the Internet. Among the subject areas the questions address are: Internet domain names, possible public interest obligations placed on Internet service providers, electronic commerce, privacy issues with respect to electronic commerce, and Internet filtering systems. The Committee has requested a response by May 1, 1998.

Senator Hatch's Draft Bill: On April 23, 1998, the Senate Judiciary Committee will mark up Senator Hatch's draft "Digital Millennium Copyright Act of 1998," a bill to implement the World Intellectual Property Organization Treaties and the agreement reached between copyright owners and Internet service providers on liability issues.

China: Under Secretary for Export Administration William Reinsch met

with staff from the House International Relations and National Security Committees to discuss his recent trip to China, export control visits by Chinese officials to the United States, and China export licensing issues.

Census Dress Rehearsals: On April 20, Under Secretary for Economic Affairs Rob Shapiro, Chief Economist Lee Price, and Acting Census Director Jim Holmes met with staff of the Congressional Census Caucus to update them on the on-going Census 2000 Dress Rehearsals.

NIST Director's Schedule: On April 28, National Institute of Standards and Technology Director Ray Kammer is expected to testify before the House Science Subcommittee on Technology, regarding international standards. On April 22, NIST Director Kammer met with Representatives Cannon, Doyle, and Regula. On April 29, Kammer has scheduled a courtesy call on Representative McHale.

NIST Authorization: On April 30, NIST expects the Senate Commerce Committee to mark up the Technology Administration/NIST authorization bill.

Commercial Space Legislation: Senator Lott recently signed on as a co-sponsor of the Commercial Space Act of 1997. This action increases the likelihood of the bill's passage in the Senate. The House version of the

bill was passed in November 1997.

IV. SECRETARY'S SCHEDULE

April 22

Participate in Earth Day events in South Florida, including:
helicopter tour of the Florida Keys ecosystem, presentation of
Environmental Hero awards to Florida citizens who have worked to preserve
the marine environment, and an outing on a NOAA boat with middle school
students for a coral reef classroom experience.

Deliver opening remarks to meeting of the Hemispheric Congress of
the
Latin Chambers of Commerce and Industry.

April 23

Visit NWS Tropical Prediction Center, and announce appointment of
new
director

Remarks to parents and children attending Commerce's "Take Our
Children to Work Day"

April 24

Press Briefing

Meet with Doug Pitts (President-Parsons Latin America)

Meet with Senator Shelby and constituents re: NOAA issues

Meet with Morely Winograd (National Performance Review)

Attend dinner honoring Jack Sander of the Chicago Mercantile

Exchange

April 25

Attend White House Correspondents' Dinner

April 27

Attend White House Ceremony for 50th Anniversary of the State of

Israel

Attend press luncheon

April 28

Taping of video for India Business Conference

Attend Virtual Trade Mission Interview

Attend dinner for the Ambassador of Japan

April 30

Virtual Trade Mission taping

Virtual Trade Mission Q&As with students

Meet with Congressional Black Caucus

Appear on National Public Radio's "Talk of the Nation"

May 1

Press lunch

Meet with Constitution Team from Chicago's South Maine High School

V. SUB-CABINET SCHEDULE

Acting Under Secretary for Technology Gary Bachula

April 27: Speak at Southern Technology Council Spring meeting,
Charleston, West Virginia.

April 29 - May 1: Attend the American Association for the
Advancement
of Science Colloquium on S&T Policy, Washington, D.C.

Assistant Secretary for Oceans & Atmosphere Terry D. Garcia

April 20-24 - Attend the International Maritime Organization Legal
Committee meeting in London, England.

Bureau of the Census Acting Director James F. Holmes

April 27: Present keynote address at the Annual Conference of the
Council on Foundations.

April 29: Deliver keynote speech at the Second Annual Upper
Midwest
Conference on Demographics for Policy Makers at the University of
Minnesota.

VI. MEDIA COVERAGE

Secretarial Coverage

On April 15, Secretary Daley announced the release of a Commerce Department report on "The Emerging Digital Economy" at a speech before high-tech industry representatives. The Secretary's speech was carried live on C-Span, and the speech and discussion of the report were carried in all major newspapers, including: The Washington Post, The Los Angeles Times, The New York Times, USA Today, The Wall Street Journal, The Washington Times, Financial Times, and the Journal of Commerce.

Secretary Daley held a press conference on April 15 to discuss his trip to Latin America to attend the Summit of the Americas with President Clinton, and to participate in the Latin American Telecommunications Summit in Argentina.

On April 19, the Chicago Tribune ran a feature story on Secretary Daley in its Sunday Magazine. The piece covered his political links to the Clinton White House, how he has fared as Secretary of Commerce, and his family and personal background.

Sub-Cabinet Coverage

Trade with Africa: On April 17, the (New Orleans) Times Picayune reported on Deputy Secretary Mallett's speech to the conference on U.S. Trade and Investment in Africa held the previous day in New Orleans.

Flood Recovery: On April 18, the Grand Forks (ND) Herald covered Assistant Secretary Phillip Singerman's presentation of a \$3 million check

to help build an \$11.8 million corporate center in flood-damaged downtown Grand Forks.

Census 2000 Media Coverage: The New York Times carried articles April 12 entitled "Political Interests Arouse Raging Debate on Census," and April 14 entitled "Test Census Is Attracting Few Workers." USA Today reported on April 13 on "Population Winners and Losers (by Percentage)" and on April 15 on both "Bureau's Goal: Make Census Count," and on "Statisticians, Republicans Disagree on Sampling."

NOAA-K Launch: A press briefing on the upcoming NOAA-K launch was held April 16 at the National Press Club -- planned date for the launch is May 13. Media in attendance included: Knight Ridder, Scripps Howard, Reuters, Nikkei, Aviation Week, Space Business News, ABC Radio News, Knight-Ridder, and the AMS Newsletter. Press kits were provided to others, including the Associated Press, Voice of America, and Space News.

Tornado Activity: The Storm Prediction Center continues to coordinate numerous interviews on tornadoes and severe weather activities. The following media contacted the center this week: Fox News New York, National Geographic, NBC Nightly News, Virginia Pilot, Knight Ridder; KHOV-- Houston, TX, and WXIA-- Atlanta.

Lawsuit challenges NMFS management of fisheries in North Pacific: National Public Radio, the Associated Press, the Anchorage Daily News, and

KTUU Anchorage (NBC news) inquired about a lawsuit filed by Greenpeace and others "demanding NMFS take action to prevent the potential collapse of the North Pacific ecosystem". The media focus is on declining Steller sea lion populations as an indicator of the health of the ecosystem.

Chicago MIC on World News Tonight: On April 16, NWS Chicago Meteorologist in Charge Paul Dailey was interviewed by a crew from ABC World News Tonight regarding the variation of weather events with killer tornadoes in the South, contrasted with late snowfall in northern states.

Information Technology: Information technology stories covering all sides of the "America's New Deficit" debate continue to attract media attention. This week, stories appeared in the San Francisco Chronicle, Columbus Dispatch, Indianapolis News, Seattle Times, and the State Science and Technology Institute Newsletter.

Commercial Space Policy: Government Executive's April issue featured a cover story focusing on the director of DOC's Office of Air and Space Commercialization (OASC), discussing several of the major commercial space policy issues OASC has been working on. These include: commercial remote sensing satellites, space transportation, and GPS. The story presented issues in the context of their national security implications and discussed the growing need for "space control" (i.e., military defense for U.S. space assets).

Jim Dorskind

Director, Executive Secretariat

Office of the Secretary, U.S. Department of Commerce

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001. email	USIA_Media_Reaction to [list] at 16:46:02.00. Subject: Daily Digest 5/1: Asian Financial Crisis. [partial] (1 page)	05/01/1998	P3/b(3)

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OA/Box Number: 500000

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CREATION DATE/TIME: 1-MAY-1998 16:46:02.00

SUBJECT: Daily Digest 5/1: ASIAN FINANCIAL CRISIS

TO: [REDACTED] (b)(3)

[001]

READ:UNKNOWN

TO: anderson_l (anderson_l@a1.eop.gov [UNKNOWN])

READ:UNKNOWN

TO: ckoppell (Ckoppell@usaid.gov [UNKNOWN])

READ:UNKNOWN

TO: clibrary (clibrary@cfr.org [UNKNOWN])

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TO: gibney (gibney@ceip.org [UNKNOWN])

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TO: glynn (glynn@usia.gov [UNKNOWN])

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TO: herman (herman%windhoek@mhs.cstat.co.za [UNKNOWN])

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TO: ica (ica@usia.gov [UNKNOWN])

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TEXT:

Foreign media commentators tracking the Asian financial crisis underscored

the need for Japan to play a major role in leading the region out of the

"financial tailspin" that has beset East Asia since last summer. Although

most analysts welcomed the economic stimulus packages announced by Tokyo in

mid- and late April, they nonetheless stressed that the plans were "tardy"

and might not produce the desired results. Singapore's pro-government

Straits Times, for example, portrayed Japan's latest fiscal reform

announcement as the desperate action of someone caught "standing on rail

tracks as a train speeds towards him; transfixed by the very danger he

should avoid...(but) paralyzed into inaction. Mercifully," the paper

noted, Tokyo has leapt "out of harm's way...(but) the success (of the

stimulus package) will depend on whether its momentum will be sustained."

Writers discussed the mid-April meetings in Washington of the IMF and World Bank, and accompanying discussions of the G-7 finance ministers. This block of commentary also dwelled on Japan's "key role" in helping Asia overcome the economic crisis, and the "moral hazard" faced by the IMF and other institutions as they intervened to assist troubled economies. Dailies in South Korea and India insisted that the institutions making "foolish loans" should bear the brunt of loan repayment rather than the taxpayers of the countries that provide rescue packages. Following are highlights of the commentary:

THE VIEW FROM JAPAN: 'WE MUST EXPLAIN, BUT ALSO TAKE ACTION'--Several

Japanese papers urged Prime Minister Hashimoto to take steps to ensure that the global community "understands" what Japan is doing to tackle its economic woes, but also acknowledged that swift "action" was also required.

"The government should not waste time in implementing effective pump-priming measures," stated top-circulation, moderate Yomiuri.

Business-oriented Nihon Keizai took note of the U.S. and EU's "frustration" over Japan's slow response to its problems, and agreed with charges that "Japan...has neglected for too long the stimulation of its ailing economy."

In a separate editorial, Yomiuri also stressed that the "government...should not reject foreign calls (for reform) as interference in Japan's...affairs. Instead, they should recognize the gravity of Japan's responsibility (to) the global community."

WHO WILL BE ASIA'S 'SAVIOR,' JAPAN OR CHINA?--A number of pundits debated

whether Japan or China would carry the laurels of being proclaimed "Asia's savior." The conservative Australian saw the U.S. as increasingly turning to China as the emerging power in Asia, rather than to Japan, which, the

paper contended, the U.S. was increasingly coming to regard as "hopeless in terms of leadership." A leading Indonesian paper defended Japan's efforts to "help" spur a recovery in Asia, calling them "adequate." Others sided with Bangkok's independent Nation view that Japan's role had been "largely invisible." A Singapore daily warned of a "strong China" overtaking a "weak Japan," arguing that such an imbalance "would not be in anyone's interest."

This survey is based on 42 reports from 24 countries, April 14 to May 1.

EDITOR: Kathleen J. Brahney

EAST ASIA AND PACIFIC

JAPAN: "Japan Must Help Resolve Economic Crisis Through Trade"

An editorial in the top-circulation, moderate Yomiuri observed (4/27), "The East Asian economic crisis, which started last summer, has already had negative effects on the world economy.... However, while these Asian economies are getting themselves back on track thanks to emergency loans from the IMF and Japan, the developed countries need to help the Asian countries rebuild their export industries and finances.... Japan has an important role to play in helping the Asian countries overcome economic problems. Since the economic crisis surfaced last summer, Japan has extended loans worth \$37 billion--the largest amount by a developed nation--to Asian countries.

"Since Japan is in the midst of a recession, East Asian exports to Japan

have been declining, prompting the United States to criticize Japan by saying, 'Tokyo is not doing enough to resolve the Asian economic crisis.' Also because of a continuing rise in Japan's trade surplus with the United States, Washington continues to urge Tokyo to boost domestic demand.... At the OECD and Quadrilateral meetings, Japan must explain that it is tackling these problems in a serious manner, and obtain international understanding. At the same time, the government should not waste time in implementing effective pump-priming measures."

"Japan's International Pledge To Revive Economy"

Top-circulation, moderate Yomiuri's editorial said (4/17): "'The government, ruling and opposition political parties and business leaders should not reject foreign calls (for Japan's effective economic measures) as interference in Japan's internal affairs. Instead, they should recognize the gravity of Japan's responsibility within the world economy. The nation must do whatever it can to pull the ailing economy out of the long slump through prompt implementation of a truly effective stimulus package, and thus restore confidence in the economy at home and abroad. The United States and other G-7 nations also bear a responsibility to support Japan in its efforts to revive its economy.'"

"Japan Must Implement Permanent Tax Cuts"

An editorial in business-oriented Nihon Keizai observed (4/17), "G-7 meetings do not usually center on the Japanese economy. A statement issued at the end of the meeting, expressed grave concern over the seriousness of

problems facing Japan. The statement reflected a sense of frustration the United States and European countries have felt toward Japan, which has neglected for too long the stimulation of its ailing economy."

"G-7 Frustration Keeps Growing Over Japan"

Liberal Asahi commented editorially (4/17), "The G-7 meeting ended with a sense of frustration among other member countries. It appears that Finance Minister Matsunaga mistakenly jumped to the conclusion that the United States and other G-7 countries understood Japan's latest economic package.... From now on, Japan should adopt the common view of other G-7 nations that Japan's economic slump must be understood in the context of the Asian (economic) crisis. Japan's economic recovery is indispensable.... As long as the Japanese economy remains sluggish...the Asian and world economies will also remain in the doldrums."

"U.S. Irritated With Japan"

Toru Kunimatsu filed from Washington for top-circulation, moderate Yomiuri (4/15): "Although Treasury Secretary Rubin during his meeting with Finance Minister Matsunaga welcomed Japan's economic stimulus package, he sought an immediate settling of its specific contents.

"He suggested that he was irritated with Japan for not yet honoring its international commitment to 'reduce the trade surplus by expanding domestic demand.' The U.S. government's judgment is that early recovery of the Japanese economy holds the key to stabilization of those Asian economies

now in turmoil. The meeting also provided a glimpse of the context the United States is now facing: The U.S. Congress is leaning more toward protectionism with the off-year elections this fall near at hand. Unless Japan demonstrates results by making an economic recovery, pressure coming from the Congress, which is increasingly dissatisfied with the ever-expanding deficit with Japan, will continue unabated."

"Lessons Of Crisis Should Be Evident At Finance Meetings"

Top-circulation, moderate Yomiuri's editorial said (4/15): "We hope that participants in the meetings will agree that East Asia needs a broad-based support package to end the crises and restore economic stability.... Prime Minister Hashimoto needs to explain to other nations that he is serious about stimulating the weak economy by boosting domestic demand and reducing trade surpluses through his new stimulus package. Japan must also urge the United States and other key nations to cooperate in correcting the weak yen and the strong dollar, a factor contributing Japan's growing trade surplus. Another important issue for the participants to take up at the meetings is a study of the how the current crisis developed so that it never happens again.... Several Asian nations have become critical of the IMF's failure to predict that such an economic crisis could hit the region. These nations also claim that the world monetary organization aggravated the crisis by forcing them to accept prescriptions that did not reflect the conditions facing them. The IMF should take this criticism to heart the next time it considers what sort of 'rescue package' is appropriate for any given nation or region."

CHINA: "Western Powers Impose Pressure; Japan Pledges Reforms"

Official Beijing Daily (Beijing Ribao) commented (4/17): "Economic reform will deprive Japan of many economic opportunities. Although Japan wants to reform, it is reluctant to provide the monetary investment for reform....

If Japan remains indecisive in its reform policies, its economy will hardly recover, nor will the United States and European countries lessen their pressure on Japan."

"Legislation Promotes Financial Reforms"

Xu Yanli and Guo Yajie wrote in State Council Economic Daily (Jingji Ribao, 4/17): "The twists and turns of the current Japanese financial reform reveal a lack of thoroughness. On the other hand, however, Japan cannot backtrack once it opens up its financial markets. We still cannot predict the future effects of these reforms."

"Japan Worries U.S."

Zhai Jingsheng wrote in State Council Economic Daily (Jingji Ribao, 4/14):

"Although American economic growth is currently healthy, the United States cannot rest. If the Japanese economy, which the United States once considered its strongest economic defense line, collapses, the American economy will be greatly impacted. This explains American anxiety."

AUSTRALIA: "U.S. Lets Asia Policy Drift Amid Domestic Undercurrents"

Under the above headline, foreign editor Greg Sheridan filed this op-ed piece from the United States for the national, conservative Australian (5/1): "The Clinton administration is going through some intriguing transitions in foreign policy right now.... The changing relativities between China and Japan in U.S. thinking are fascinating.

"Secretary of State Madeleine Albright was in Tokyo this week soothing Japanese sensitivities, but overall it is clear the Americans are coming to regard Japan as just hopeless in terms of leadership and are increasingly asking what strategic deals they can do with China. This would be fruitful, but is not without risks."

"Bigger Regional Strategic Role For Japan Appropriate"

In the editorial view of the liberal Melbourne Age (4/30): "The reality is that neither Japan nor its regional neighbors can reasonably continue to live amid the shadows and inhibitions of the past. And far from signalling a military resurgence in Japan, the change comes with the blessing, if not at the instigation, of the United States.... The interest of the United States, eager to ease its global strategic responsibilities with the ending of Cold War tensions, is to ensure that Japan will play a more substantial support and self-defense role in dealing with any security crisis in its vicinity.... But now that China is growing in wealth, strength and confidence, it is logical to welcome Japan as a countervailing power within--so long as possible--the American alliance."

"Reform Of World Finance"

The business-oriented Australian Financial Review judged in an editorial (4/17): "Rather than being broken, let's not forget that global financial capitalism is mostly working.... This does not mean that the architecture does not need freshening up along the lines to be considered by the G-22.... And it may even include exploring how creditors themselves take more of a haircut when their optimistic lending turns sour--instead of being bailed out by the IMF. Again, giving crewcuts to foreign creditors sounds the right 'lender-beware' thing to do. But taking this too far--as do the anti-IMF Republicans in Washington--could end up making it harder for crisis-hit debtor countries to access the capital they need to recover."

INDONESIA: "Japan's Role And Our Choice To Carry Out Reforms"

Leading independent Kompas commented (4/27): "It should be asked to what extent the United States and Europe are helping us, and whether we have been honest and serious in implementing reforms in line with international rules.... Japan has been helping Asia adequately. It is time for us to hear from the United States and Europe to what extent they have been helping us in Asia cope with the crisis.... Surely, it is our sovereign right to make our own choice of what kinds of reform we would like to have. However, we had better heed external views of ways to revive the economy."

MALAYSIA: "Curbing Global Hedge Funds"

The government-influenced Business Times offered this editorial view (4/17): "Never mind that it took the IMF ages to discover the truth; its admission this week that there is a need to curtail the activities of powerful hedge funds is significant. Malaysia has been one of the first and loudest to call for a long-term solution to the financial turmoil that hit the region last July.... What is needed is a global effort led by the relevant world authorities. The IMF and the World Bank fit the bill, but they will need not only the support, but also the guidance of governments in Southeast Asia. Input from countries like Malaysia is important not only because (these countries) are directly affected by the turmoil, but because they had quickly grasped (its) cause.... In this context, ASEAN has a potentially major role to assume.... It is crucial that ASEAN remains united in facing the currency issue and the efforts in dealing with the changing financial structure of the international system. ASEAN and the developing countries must now take the lead in dealing with the issue and be wary of some who may want to hijack the matter and manipulate it to their own vested interests."

SINGAPORE: "A Boost For Japan"

The pro-government Straits Times' editorial held (4/28): "Japan's fiscal package to stimulate its economy is not little--the \$204-billion plan is the largest in its history--though it came late in the day and, though it is better to be late than never to arrive, its success will depend on

whether its momentum is sustained. For a very long while, Tokyo resembled a man standing on rail tracks as a train speeds towards him; transfixed by the very danger he should avoid, the man is paralyzed into inaction. Mercifully, however, the sound of the whistle releases him from his predicament just in time, and he jumps out of harm's way....

"What is at stake immediately is the political future of Mr Hashimoto, who is besieged by criticism both within and outside his party. The extent of

the package's success will be critical in determining whether he can fend off his detractors. In the longer run, Japan's ability to deregulate its markets will decide whether it can share leadership of economic globalization. The alternative is the United States' taking the lead exclusively. The consequence would be a strong America and a strong China, with a weak Japan sandwiched in between. That would not be in anyone's interest. Japan should lead, by example."

"Reforming The Global Financial System"

Lee Siew Hua noted from Washington in the pro-government Straits Times (4/16): "From all over the world, financial ministers and central bankers have come to Washington in a new push to overhaul the global financial system. Their overarching theme is the Asian financial crisis and they hope to prevent or soften future crises. Plans are afoot to strengthen national financial systems through global standards, at a fragile time when trillions of dollars slosh through the international markets daily. The private sector will be pressed to do a better job of weighing market risks, and to bear fuller responsibility for their actions. And the International

Monetary Fund (IMF) wants more teeth for its surveillance work. In an unusually intense week, the IMF and World Bank are holding their spring meeting while the Group of Seven industrial powers gathered yesterday, and will meet emerging and transition economies for inaugural talks today. Under U.S. leadership, this new Group of 22 countries--which includes Singapore --will look at how to create an 'international financial architecture' that is as modern as the markets."

SOUTH KOREA: "No Alternative To The IMF"

Commentary in conservative Chosun Ilbo maintained (4/18): "During the Washington meeting, all G-24 nations decided that they will have to cope with the economic crisis by making the IMF more efficient.... The IMF has been under constant criticism because of the general perception that it has failed to efficiently deal with Asia's economic crisis. Despite the agreement on the need for a more efficient monetary fund, no action plans have been prepared. Treasury Secretary Rubin pointed out that investors should be held responsible for bad investments, but that suggestion was not followed up with an implementation plan. The Washington meeting also failed to decide whether the IMF should continue to make public announcements about the economic status of countries in trouble.... As far as Korea is concerned, the meeting was significant because it showed that the international community approves of the efforts Korea is making to overcome the current economic crisis."

"G-22 Nations' Moral Hazard"

Pro-business Joong-Ang Ilbo's editorial concluded (4/16): "The financial crisis in Asia is making the United States and other advanced nations aware of the need to strengthen the world financial system.... In order to prevent similar crises in the future, the G-7 nations have for the first time invited treasury ministers and central bank governors from the G-22 nations to a meeting in Washington.

"Of the three goals stated in the G-7 official statement, the most interesting is the third, which sets criteria for dividing responsibility fairly among those international financial institutions involved. We take this matter seriously because we strongly believe that the international financial institutions which invested in Asia should accept some responsibility for what happened.... The risk which the institutions should have assumed has gone instead to the taxpayers of the countries providing rescue packages. This is a clear case of moral hazard. If this unfair behavior is ignored, we risk similar crises in the future created by financial institutions simply to make money. From this point of view, having these institutions take responsibility for their profits sounds very right."

"Japan's Responsibility And Choice"

Independent Dong-A Ilbo's editorial said (4/14): "At this point there is no prospect of change in the current trend of a 'strong dollar' and a 'weak yen.' One reason is that Japan's stimulus package offers only temporary measures and the United States shows no sign of changing its foreign exchange policy. Even though the economic stimulus package Japan announced

April 9 is the largest since the World War II, it nevertheless is not sufficient for an economy that needs long-term plans on tax cuts and budget expansion."

THAILAND: "Japan Hamstrung By Policy Conflicts"

Avudh Panananda commented in the independent, English-language Nation (5/1): "Despite the massive mobilization of money and credit flowing into the region, Japan's role [in light of the Asian financial crisis] remained largely invisible.... Political commentator Minoru Morita blamed inward-looking politicians and demoralized bureaucrats as part of the reason why Japan failed to exercise better leadership.... Japanese Prime Minister Hashimoto had almost no experience with Asia prior to assuming office.... Within the context of the Asian crisis, the Japanese government has failed to prioritize its programs of action, prompting policies to neutralize one another.... In the end, the country will only see deteriorating problems on all fronts.... Meanwhile, the stimulus package will not be as effective as it should have been because the government has to keep an eye on the worsening fiscal deficit. The lingering fiscal imbalance triggered further depreciation of the yen which would in turn divert Japanese investment from the region to the home office, exacerbating the regional economic woes."

"China, Japan: Who Is Asia's Savior?"

Sutichai Yoon posed these questions in the independent, English-language Nation (4/17): "So who is the more resilient, China or Japan? In other

words, who can we rely on to pluck us out of this mess--the world's second-richest country or the world's most populous nation? Are we witnessing a real competition for eventual economic dominance in Asia? Is China taking over from Japan as the economic leader underscoring the beginning of a fundamental shift in the midst of the Asian meltdown? The answers, unfortunately, are far from encouraging. The prognosis is equally gloomy for the two Asian giants. China and Japan need not be engaged in a race toward regional dominance in the economic field. But the two could in fact complement each other and any attempt by either side to outrank the other will be taken as a sign of immaturity. Reform is the key word, and both Japan and China must demonstrate their commitment in the form of a pragmatic economic rejuvenation agenda in order to lay down the foundation for Asia's economic recovery. In the end, the two giants cannot pursue their own economic policies without taking into consideration Asia's long-term political, economic and social stability."

SOUTH ASIA

INDIA: "Disappointment In Washington"

According to an editorial in the centrist Hindu (4/23): "The spring meeting of the IMF and the World Bank in Washington were of particular

significance this year to both India and the world.... The markets and the governments of the world...had their eyes focussed on Washington, since this was the first such gathering after the East Asian crisis exploded late last year. On neither count has the conference yielded a positive outcome.... While the turmoil in East Asia has ebbed somewhat, the controversy over the role of the IMF in the crisis has not. Yet, the finance ministers who met in Washington broadly endorsed the IMF programs, without in any way evaluating the efficacy of the institution's approach. If anything, the meetings have strengthened the hands of the IMF to develop a 'tiered response' while warning countries of an impending crisis....

"The world body will soon be able to go public if the 'problem' country does not take appropriate action. Since the IMF's capacity to foresee a crisis has never been of a very high order, the danger here is that advice on a wrong understanding will precipitate a market reaction even when there is no fundamental problem with an economy.... The IMF's system of publicizing broad trends in national economies...did not help stave off the East Asian crisis of 1997.... There is no reason to believe that adherence to the new code will make any difference in the future.... The first steps are being taken to prevent private creditors from continuing with risky lending since they know that the IMF will protect their capital if a problem arises. The IMF is to work towards preventing this problem of 'moral hazard,' by devising ways to make international banks also bear the cost of foolish lending to gullible borrowers."

EUROPE

BRITAIN: "Washington Outlook Bright Beyond Tokyo Stormclouds"

The conservative Times had this by economics editor Anatole Kaletsky (4/17): "The main conclusion to emerge from the Washington meetings of the IMF and the G-7 was predictable, but nonetheless important. The Asian crisis, which was mainly responsible for the sudden disappearance of hawks in the central banks, has turned out to be more damaging than expected for the countries directly involved, but it has been little more than a pinprick for the advanced economies of America and Europe.... Perhaps the most powerful message to come out of the Washington meetings was the indecision and lack of leadership in the Japanese government's approach to its economic problems. It was hardly surprising that the G-7 communique, which seemed justifiably optimistic about every other feature of the global economic picture, betrayed an obvious lack of confidence in Mr. Hashimoto and Japan."

"Strengthening Global Finance"

The independent Financial Times commented in an editorial (4/16): "If nothing else, the Asian financial crisis has shattered complacency. The entire 'architecture' of the global financial system is under review. But a successful outcome will be difficult to secure, since the issues are intractable and contentious. As the shock fades, the powers-that-be may even decide to change rather little. If so, they will merely be inviting the next calamity. At present, however, the ideas are flowing. The spring meetings of the IMF and the World Bank in Washington this week--and the accompanying discussions of the G-7 finance ministers--have occasioned

several contributions. Foremost among these was a thoughtful speech by Treasury Secretary Robert Rubin on Tuesday.... At least policymakers are grappling with some of the difficult questions. The need for greater transparency has become obvious, as is the case for circumscribing national sovereignty over financial regulation.

"The biggest issue, however, is how to balance the lender-of-last resort function against the need to ensure private sector responsibility for mistakes. To this Mr. Rubin has not provided the solution, perhaps because there is none."

"G-7 Ministers Warn Japan To Prevent Wider Crisis"

The liberal Guardian commented from Washington (4/16): "Among the current concerns is that Japan's lurch into a period of no growth can be reversed before it moves into a downward spiral that could aggravate Asia's problems and rebound to the United States and Europe."

"U.S. Tells G-7 To Lean On Japan"

The liberal Guardian commented from Washington (4/15): "The Americans believe that placing Japan back on the right track will be an essential component for repairing the global economic architecture.... Both the United States and the IMF fear that the Japanese authorities will not act fast enough to pull Japan back from recession. A slowdown in Japan at a time when the global economy is already weakening as a result of the East

Asian crisis, could push the international economy into stagnation."

"Can Japan Escape From A Deflationary Spiral?"

The independent Financial Times' editorial held (4/14): "Despite the more detailed plans for income tax cuts and public spending announced by Prime Minister Hashimoto last Thursday, the risk that the world's second largest economy will suffer a precipitous decline remains disturbingly high....

There will have to be another package, which will be even harder to pitch at the right confidence boosting level. In the meantime the yen seems likely to remain weak, ensuring that Japan re-exports the impact of the Asian crisis to Europe and the United States. This underlines the global implications of Japan's plight. Without a Japanese recovery the rest of Asia's problems will be harder to solve. With a Japanese deflation the risk of a protectionist backlash grows. Japan can and should expect continuing international pressure for more radical action. This is dangerous territory indeed."

FRANCE: "Transfer Of Capital: Liberalization Under Surveillance"

Jean-Pierre Robin, Washington correspondent for right-of-center Le Figaro Economique (4/16) wrote: "Despite an aggravated crisis in Asia, the G-7 and the IMF want to favor the free transfer of investments.... The Asian crisis must not lead to a restriction of international capital trading. The remedy is to liberalize the flux of capital, and improve the surveillance systems which have so far been faltering.... Great Britain recommended the creation of a mutual surveillance committee between the IMF and the World

Bank."

"G-7's Double Challenge: Weak Yen And New Financial Crisis"

Marie-Laure Cittanova and Gilles Senges commented in right-of-center Les Echos (4/16): "Before the G-7 meeting, which was essentially concerned with the excessive decline in the yen, the IMF, the World Bank and leaders gathered in Washington had only one obsession: adapt the international monetary system after the Asian crisis.... Aside from the difficult discussions about forcing Japan to play its role of economic leader, the other theme of the spring meetings between the IMF and the World Bank was the prevention of financial crisis."

"Japan Under Pressure From G-7 And Trade Markets"

Centrist La Tribune front-paged this (4/16): "Tokyo is pressured by his partners to restart its economy.... Washington is very concerned by the excessive decline of the yen."

"Japanese Government More Irritated Than It Says"

Left-of-center Liberation, in comment from Tokyo, judged (4/15): "On the even of the G-7 meeting, the finance minister denies pessimistic forecasts.... The Japanese government is probably more irritated than it says by the critics from its main commercial partners and affiliated organizations."

"Washington Will Put Pressure On Japan"

Jean-Louis Santini commented in wire service AFP (4/15): "At the G-7 meeting in Washington on Wednesday, the United States will put pressure on Japan to implement lasting measures to restart the economy to make sure that the second world economy avoids a recession.... At a press conference in Washington, Robert Rubin said the measures recently announced by the Japanese prime minister were very significant. He immediately added that he wanted to see the details of the program."

GERMANY: "A Promise"

Centrist Stuttgarter Zeitung had this to say (4/17): "The exhortations fell on receptive ears. The financial experts had called for reforms to liberalize the European labor markets. These points were also put in the final communique written by the finance ministers and central bank directors of the G-7. Germany, France, and Italy belong to the G-7 and thus they direct these points towards themselves. But those communiqués usually do not have much to do with the policies carried out by the national governments."

ITALY: "G-7 Leaders: 'Careful, Another Crisis Will Destroy Us'"

Arturo Zampaglione wrote from New York for left-leaning, influential La Repubblica (4/17): "Treasury ministers and central bank governors yesterday dealt in Washington with the 'architecture' of international

finance.... Invited by U.S. Treasury Secretary Rubin...representatives of the G-22...listened to the U.S. proposals. First, more transparency for the economic data supplied by all countries.... Second, the establishment of more rigid criteria for banking institutions all over the world.... Third, making private investors co-responsible.... Of course, it will take time before all these ideas develop into political decisions, but everybody realizes...the urgent need to achieve a conclusion. Everybody is convinced of the risk that another crisis, perhaps even more serious than the Asian crisis, may bring the international economy to its knees."

"G-7 Puts Japan On Trial"

An editorial in provocative, classical liberal *Il Foglio* said (4/16):

"Tokyo has not only adopted tardy and insufficient measures aimed at stimulating domestic demand; it also continues to refuse liberalizing its financial market, preventing foreign investment which could help the stock market and make the yen stronger.... Western industrialized nations, as well as the IMF, would like Japan to adopt more courageous measures to reduce taxes in order to increase revenues, boost consumption and restore trust among the citizens.... For the time being, Tokyo wants to be a G-7 member, but refuses to observe the basic rules of the club."

"G-7: Yen Needs To Be Stabilized"

Mario Platero observed in leading business *Il Sole-24 Ore* (4/16): "In order to give muscle to G-7 decisions, the United States and Japan held a

bilateral meeting in Washington yesterday to work 'together to sustain a weak yen.' This is the strongest U.S.-Japan joint initiatives in the last three years....

"Trying to avoid a deterioration of the Japanese crisis is even more important at a moment when the other nations of the region are painfully coming out of one of their worst financial crises.... This is why G-7 nations have focused their attention on the stability of the yen and have agreed to carry the burden of possible coordinated interventions to complement Tokyo's economic initiatives."

"How To Cure A Sick Japan"

Boris Biancheri, former Italian ambassador to Washington, remarked in centrist, influential La Stampa (4/16): "It is not part of the Japanese style to present resistance to demands coming from the international community. The Japanese are inclined to accept them...(and) adjust them to their internal needs later...counting on the difficulty that foreigners have in grasping the complicated internal mechanisms of their country."

RUSSIA: "Japan Left To Its Own Devices"

Dmitry Zharnikov wrote in reformist Noviy Izvestia (4/17): "Weak Japan is a big headache for the West, which is doing everything to protect itself from cheap Japanese exports and global financial cataclysms. In Washington, the Japanese were told bluntly that they could rely only on

themselves.... Russia held no part in denying 'brotherly capitalist aid' to Japan. Moscow was not invited. Commenting on that, the chairman of the Russian Central Bank, Sergei Dubinin, aptly remarked that Russia's political weight still exceeds her economic potential."

HUNGARY: "When The Giant Collapses"

Foreign editor Eva Elekes wrote in second largest circulation Nepszava (4/15): "The whole world is all eyes looking at Japan struggling along with trying to rescue itself.... But the British weekly The Economist is not that pessimistic, pointing out that Japan's share in the gross global output is only 13 percent and the now very strong U.S. economy, together with the increasing demand of the European and Latin American markets, compensate for the decline of Japan. While Japanese Prime Minister Hashimoto hastens to counter international criticism, he also has to think about his own future. There will be elections in July, and many in the ruling Liberal Democratic Party think that somebody has to be made responsible for the economic hardships. That someone, a scapegoat, will probably be Hashimoto himself."

LATIN AMERICA

BRAZIL: "IMF Counterattacks"

An editorial in liberal Folha de Sao Paulo said (4/17): "The IMF was hardly criticized during the Asian financial crisis, but it again is accusing the industrialized economies of being responsible for the global

instability. There is a paradox in the world economy. Today growth is not better because the United States has benefited from the crisis. But some of these benefits may have bad effects in the coming months. On a short term, the horizon is positive, but its roots may be problematic. The U.S. economic scenario, while comfortable today, says the IMF, may also contain the seeds of its own deterioration in the near future. The risks for the global system remain, however, and not only in the so-called emerging markets."

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X' hp x (##Xn\ P6Qy&P#Friday, May 1, 1998

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ASIAN FINANCIAL CRISIS: 'RECOGNIZING THE GRAVITY OF JAPAN'S RESPONSIBILITY'

Foreign media commentators tracking the Asian financial crisis underscored the need for Japan to play a major role in leading the region out of the "financia

I tailspin" that has beset East Asia since last summer. Although most analysts welcomed the economic stimulus packages announced by Tokyo in mid and late April, they nonetheless stressed that the plans were "tardy" and might not produce the desired results. Singapore's progovernment Straits Times, for example, portrayed Japan's latest fiscal reform announcement as the desperate action of someone caught "standing on railroad tracks as a train speeds towards him; transfixed by the very danger he should avoid...(but) paralyzed into inaction. Mercifully," the paper noted, Tokyo has leapt "out of harm's way...(but) the success (of the stimulus package) will depend on whether its momentum will be sustained."

Writers discussed the mid-April meetings in Washington of the IMF and World Bank, and accompanying discussions of the G7 finance ministers. This block of commentary also dwelled on Japan's "key role" in helping Asia overcome the economic crisis, and the "moral hazard" faced by the IMF and other institutions as they intervened to assist troubled economies. Dailies in South Korea and India insisted that the institutions making "foolish loans" should bear the brunt of loan repayment rather than the taxpayers of the countries that provide rescue packages. Following are highlights of the commentary:

THE VIEW FROM JAPAN: 'WE MUST EXPLAIN, BUT ALSO TAKE ACTION' Several Japanese papers urged Prime Minister Hashimoto to take steps to ensure that the global community "understands" what Japan is doing to tackle its economic woes, but also acknowledged that swift "action" was also required. "The government should not waste time in implementing effective pump-priming measures," stated top circulation, moderate Yomiuri. Business-oriented Nihon Keizai took note of the U.S. and EU's "frustration" over Japan's slow response to its problems, and agreed with charges that "Japan...has neglected for too long the stimulation of its ailing economy." In a separate editorial, Yomiuri also stressed that the "government

t...should not reject
foreign calls (for reform) as interference in Japan's...a
ffairs. Instead,
they should recognize the gravity of Japan's responsibility (to the global
community."

WHO WILL BE ASIA'S 'SAVIOR,' JAPAN OR CHINA? A number of pundits debated
whether

Japan or China would carry the laurels of being proclaimed "Asia's
savior." T

he conservative Australian saw the U.S. as increasingly turning to
China as the

emerging power in Asia, rather than to Japan, which, the paper
contended, the

U.S. was increasingly coming to regard as "hopeless in terms
of leadership." A

leading Indonesian paper defended Japan's efforts to
"help" spur a recovery in

Asia, calling them "adequate." Others sided with
Bangkok's independent Nation

view that Japan's role had been "largely
invisible." A Singapore daily warned

of a "strong China" overtaking a "weak
Japan," arguing that such an imbalance "
would not be in anyone's interest."

This survey is based on 42 reports from 24 countries, April 14 to May 1.
EDITOR: Kathleen J. Brahney

EAST ASIA AND PACIFIC

X` hp x (# JAPAN: "Japan Must Help Resolve Economic Crisis Through Trade"

An editorial in the top-circulation, moderate Yomiuri observed (4/27), "The
East

Asian economic crisis, which started last summer, has already had
negative eff

ects on the world economy.... However, while these Asian
economies are getting

themselves back on track thanks to emergency loans from
the IMF and Japan, the

developed countries need to help the Asian countries
rebuild their export indu

stries and finances.... Japan has an important
role to play in helping the As

ian countries overcome economic problems.
Since the economic crisis surfaced

last summer, Japan has extended loans
worth \$37 billion, the largest amount by a

developed nation to Asian
countries.

"Since Japan is in the midst of a recession, East Asian exports to Japan have
b

een declining, prompting the United States to criticize Japan by saying, 'Tokyo is not doing enough to resolve the Asian economic crisis.' Also because of a continuing rise in Japan's trade surplus with the United States, Washington continues to urge Tokyo to boost domestic demand.... At the OECD and Quadilatera l meetings, Japan must explain that it is tackling these problems in a serious manner, and obtain international understanding. At the same time, the government should not waste time in implementing effective pumppriming measures."

X hp x (#

X hp x (# "Japan's International Pledge To Revive Economy"

Topcirculation, moderate Yomiuri's editorial said (4/17): "The government, ruling and opposition political parties and business leaders should not reject foreign calls (for Japan's effective economic measures) as interference in Japan's internal affairs. Instead, they should recognize the gravity of Japan's responsibility within the world economy. The nation must do whatever it can to pull the ailing economy out of the long slump through prompt implementation of a truly effective stimulus package, and thus restore confidence in the economy at home and abroad. The United States and other G7 nations also bear a responsibility to support Japan in its efforts to revive its economy."

"Japan Must Implement Permanent Tax Cuts"

An editorial in businessoriented Nihon Keizai observed (4/17), "G7 meetings do not usually center on the Japanese economy. A statement issued at the end of the meeting, expressed grave concern over the seriousness of problems facing Japan. The statement reflected a sense of frustration the United States and European countries have felt toward Japan, which has neglected for too long the stimulation of its ailing economy."

"G7 Frustration Keeps Growing Over Japan"

Liberal Asahi commented editorially (4/17), "The G7 meeting ended with a sense

of frustration among other member countries. It appears that Finance Minister Matsunaga mistakenly jumped to the conclusion that the United States and other G7 countries understood Japan's latest economic package.... From now on, Japan should adopt the common view of other G7 nations that Japan's economic slump must be understood in the context of the Asian (economic) crisis. Japan's economic recovery is indispensable.... As long as the Japanese economy remains sluggish...the Asian and world economies will also remain in the doldrums."

"U.S. Irritated With Japan"

Toru Kunimatsu filed from Washington for top circulation, moderate Yomiuri (4/15): "Although Treasury Secretary Rubin during his meeting with Finance Minister Matsunaga welcomed Japan's economic stimulus package, he sought an immediate settling of its specific contents."

"He suggested that he was irritated with Japan for not yet honoring its international commitment to 'reduce the trade surplus by expanding domestic demand.' The U.S. government's judgment is that early recovery of the Japanese economy holds the key to stabilization of those Asian economies now in turmoil. The meeting also provided a glimpse of the context the United States is now facing: The U.S. Congress is leaning more toward protectionism with the off-year election just this fall near at hand. Unless Japan demonstrates results by making an economic recovery, pressure coming from the Congress, which is increasingly dissatisfied with the ever-expanding deficit with Japan, will continue unabated."

"Lessons Of Crisis Should Be Evident At Finance Meetings"

Top circulation, moderate Yomiuri's editorial said (4/15): "We hope that participants in the meetings will agree that East Asia needs a broad-based support package to end the crises and restore economic stability.... Prime Minister Hashimoto needs to explain to other nations that he is serious about stimulating the

the weak economy by boosting domestic demand and reducing trade surpluses through his new stimulus package. Japan must also urge the United States and other key nations to cooperate in correcting the weak yen and the strong dollar, a factor contributing to Japan's growing trade surplus. Another important issue for the participants to take up at the meetings is a study of how the current crisis developed so that it never happens again.... Several Asian nations have become critical of the IMF's failure to predict that such an economic crisis could hit the region. These nations also claim that the world monetary organization aggravated the crisis by forcing them to accept prescriptions that did not reflect the conditions facing them. The IMF should take this criticism to heart the next time it considers what sort of 'rescue package' is appropriate for any given nation or region."

Xinhua (# CHINA: "Western Powers Impose Pressure; Japan Pledges Reforms"

Xinhua (#

Official Beijing Daily (Beijing Ribao) commented (4/17): "Economic reform will deprive Japan of many economic opportunities. Although Japan wants to reform, it is reluctant to provide the monetary investment for reform.... If Japan remains indecisive in its reform policies, its economy will hardly recover, nor will the United States and European countries lessen their pressure on Japan."

"Legislation Promotes Financial Reforms"

Xu Yanli and Guo Yajie wrote in State Council Economic Daily (Jingji Ribao, 4/17): "The twists and turns of the current Japanese financial reform reveal a lack of thoroughness. On the other hand, however, Japan cannot backtrack once it opens up its financial markets. We still cannot predict the future effects of these reforms."

"Japan Worries U.S."

Zhai Jingsheng wrote in State Council Economic Daily (Jingji Ribao, 4/14):

Although American economic growth is currently healthy, the United States cannot rest. If the Japanese economy, which the United States once considered its strongest economic defense line, collapses, the American economy will be greatly impacted. This explains American anxiety."

AUSTRALIA: "U.S. Lets Asia Policy Drift Amid Domestic Undercurrents"

Under the above headline, foreign editor Greg Sheridan filed this oped piece from the United States for the national, conservative Australian (5/1): "The Clinton administration is going through some intriguing transitions in foreign policy right now.... The changing relativities between China and Japan in U.S. thinking are fascinating.

"Secretary of State Madeleine Albright was in Tokyo this week soothing Japanese sensitivities, but overall it is clear the Americans are coming to regard Japan as just hopeless in terms of leadership and are increasingly asking what strategic deals they can do with China. This would be fruitful, but is not without risks."

"Bigger Regional Strategic Role For Japan Appropriate"

In the editorial view of the liberal Melbourne Age (4/30): "The reality is that at neither Japan nor its regional neighbors can reasonably continue to live amid the shadows and inhibitions of the past. And far from signalling a military resurgence in Japan, the change comes with the blessing, if not at the instigation, of the United States.... The interest of the United States, eager to ease its global strategic responsibilities with the ending of Cold War tensions, is to ensure that Japan will play a more substantial support and self-defense role in dealing with any security crisis in its vicinity.... But now that China is growing in wealth, strength and confidence, it is logical to welcome Japan as a countervailing power within so long as possible the American alliance."

X` hp x (#
"Reform Of World Finance"

X` hp x (#The businessoriented Australian Financial Review judged in an editorial
(4/17): "Rather than being broken, let's not forget that global financial capitalism is mostly working.... This does not mean that the architecture does not need freshening up along the lines to be considered by the G22.... And it may even include exploring how creditors themselves take more of a haircut when their optimistic lending turns sourinstead of being bailed out by the IMF. Again, giving crewcuts to foreign creditors sounds the right 'lenderbeware' thing to do. But taking this too faras do the antiIMF Republicans in Washingtoncould end up making it harder for crisis-hit debtor countries to access the capital they need to recover."

X` hp x (# INDONESIA: "Japan's Role And Our Choice To Carry Out Reforms"

X` hp x (#
Leading independent Kompas commented (4/27): "It should be asked to what extent the United States and Europe are helping us, and whether we have been honest and serious in implementing reforms in line with international rules.... Japan has been helping Asia adequately. It is time for us to hear from the United States and Europe to what extent they have been helping us in Asia cope with the crisis.... Surely, it is our sovereign right to make our own choice of what kinds of reform we would like to have. However, we had better heed external views of ways to revive the economy."

X` hp x (# MALAYSIA: "Curbing Global Hedge Funds"

X` hp x (#
The governmentinfluenced Business Times offered this editorial view (4/17):
"

Never mind that it took the IMF ages to discover the truth; its admission this week that there is a need to curtail the activities of powerful hedge funds is significant. Malaysia has been one of the first and loudest to call for a long term solution to the financial turmoil that hit the region last July.... What is needed is a global effort led by the relevant world authorities. The IMF and

d the World Bank fit the bill, but they will need not only the support, but also the guidance of governments in Southeast Asia. Input from countries like Malaysia is important not only because (these countries) are directly affected by the turmoil, but because they had quickly grasped (its) cause.... In this context, ASEAN has a potentially major role to assume.... It is crucial that ASEAN remains united in facing the currency issue and the efforts in dealing with the changing financial structure of the international system. ASEAN and the developing countries must now take the lead in dealing with the issue and be wary of some who may want to hijack the matter and manipulate it to their own vested interests."

SINGAPORE: "A Boost For Japan"

X hp x (#
X hp x (#The progovernment Straits Times' editorial held (4/28): "Japan's fiscal package to stimulate its economy is not little the \$204 billion plan is the largest in its history though it came late in the day and, though it is better to be late than never to arrive, its success will depend on whether its momentum is sustained. For a very long while, Tokyo resembled a man standing on rail tracks as a train speeds towards him; transfixed by the very danger he should avoid, the man is paralyzed into inaction. Mercifully, however, the sound of the whistle releases him from his predicament just in time, and he jumps out of harm's way....

"What is at stake immediately is the political future of Mr Hashimoto, who is besieged by criticism both within and outside his party. The extent of the package's success will be critical in determining whether he can fend off his detractors. In the longer run, Japan's ability to deregulate its markets will decide whether it can share leadership of economic globalization. The alternative is the United States' taking the lead exclusively. The consequence would be a stroke

ng America and a strong China, with a weak Japan sandwiched in between. That would not be in anyone's interest. Japan should lead, by example."

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"Reforming The Global Financial System"

X` hp x (#

Lee Siew Hua noted from Washington in the progovernment Straits Times (4/16):

"From all over the world, financial ministers and central bankers have come to

Washington in a new push to overhaul the global financial system. Their overar

ching theme is the Asian financial crisis and they hope to prevent or soften fu

ture crises. Plans are afoot to strengthen national financial systems through

global standards, at a fragile time when trillions of dollars slosh through the

international markets daily. The private sector will be pressed to do a bette

r job of weighing market risks, and to bear fuller responsibility for their act

ions. And the International Monetary Fund (IMF) wants more teeth for its surve

illance work. In an unusually intense week, the IMF and World Bank are holding

their spring meeting while the Group of Seven industrial powers gathered yeste

rday, and will meet emerging and transition economies for inaugural talks today

. Under U.S. leadership, this

new Group of 22 countries which includes Singapore will look at how to

create an 'international financial architecture' that is as modern as the markets."

SOUTH KOREA: "No Alternative To The IMF"

Commentary in conservative Chosun Ilbo maintained (4/18): "During the Washingt

on meeting, all G24 nations decided that they will have to cope with the econom

ic crisis by making the IMF more efficient.... The IMF has been under constant

criticism because of the general perception that it has failed to efficiently

deal with Asia's economic crisis. Despite the agreement on the need for a mor

e efficient monetary fund, no action plans have been prepared. Treasury Secret

ary Rubin pointed out that investors should be held responsible for bad investm

ents, but that suggestion was not followed up with an implementation plan. The

Washington meeting also failed to decide whether the IMF should continue to make public announcements about the economic status of countries in trouble....

As far as Korea is concerned, the meeting was significant because it showed that the international community approves of the efforts Korea is making to overcome the current economic crisis."

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"G22 Nations' Moral Hazard"

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Probusiness JoongAng Ilbo's editorial concluded (4/16): "The financial crisis

in Asia is making the United States and other advanced nations aware of the need

to strengthen the world financial system.... In order to prevent similar crises

in the future, the G7 nations have for the first time

invited treasury ministers

and central bank governors from the G22 nations

to a meeting in Washington.

"Of the three goals stated in the G7 official statement, the most interesting

is the third, which sets criteria for dividing responsibility

fairly among those

international financial institutions involved. We take

this matter seriously

because we strongly believe that the international

financial institutions which

have invested in Asia should accept some

responsibility for what happened.... The

risk which the institutions should

have assumed has gone instead to the taxpayers

of the countries providing

rescue packages. This is a clear case of moral

hazard. If this unfair

behavior is ignored, we risk similar crises in the future

created by

financial institutions simply to make money. From this point of

view,

having these institutions take responsibility for their profits sounds very

right."

"Japan's Responsibility And Choice"

Independent DongA Ilbo's editorial said (4/14): "At this point there is no prospect

of change in the current trend of a 'strong dollar' and a 'weak

yen.' O
ne reason is that Japan's stimulus package offers only temporary
measures and t
he United States shows no sign of changing its foreign exchange
policy. Even t
hough the economic stimulus package Japan announced April 9 is
the largest sinc
e the World War II, it nevertheless is not sufficient for an
economy that needs
longterm plans on tax cuts and budget expansion."

THAILAND: "Japan Hamstrung By Policy Conflicts"

Avudh Panananda commented in the independent, Englishlanguage Nation (5/1):
"

Despite the massive mobilization of money and credit flowing into the
region, J
apan's role [in light of the Asian financial crisis] remained
largely invisible
.... Political commentator Minoru Morita blamed
inwardlooking politicians and
demoralized bureaucrats as part of the reason
why Japan failed to exercise bett
er leadership.... Japanese Prime Minister
Hashimoto had almost no experience
with Asia prior to assuming office....
Within the context of the Asian crisis,
the Japanese government has failed to
prioritize its programs of action, promp
ting policies to neutralize one
another.... In the end, the country will only
see deteriorating problems on
all fronts.... Meanwhile, the stimulus package w
ill not be as effective as
it should have been because the government has to ke
ep an eye on the
worsening fiscal deficit. The lingering fiscal imbalance trig
gered further
depreciation of the yen which would in turn divert Japanese inves
tment from
the region to the home office, exacerbating the regional economic wo
es."

"China, Japan: Who Is Asia's Savior?"

Sutichai Yoon posed these questions in the independent, Englishlanguage
Nation
(4/17): "So who is the more resilient, China or Japan? In other
words, who c
an we rely on to pluck us out of this mess the world's
secondrichest country or
the world's most populous nation? Are we
witnessing a real competition for eve
ntual economic dominance in Asia? Is

China taking over from Japan as the economic leader underscoring the beginning of a fundamental shift in the midst of the Asian meltdown? The answers, unfortunately, are far from encouraging. The prognosis is equally gloomy for the two Asian giants. China and Japan need not be engaged in a race toward regional dominance in the economic field. But the two could in fact complement each other and any attempt by either side to outrank the other will be taken as a sign of immaturity. Reform is the key word, and both Japan and China must demonstrate their commitment in the form of a pragmatic economic rejuvenation agenda in order to lay down the foundation for Asia's economic recovery. In the end, the two giants cannot pursue their own economic policies without taking into consideration Asia's longterm political, economic and social stability."

SOUTH ASIA

INDIA: "Disappointment In Washington"

According to an editorial in the centrist Hindu (4/23): "The spring meeting of the IMF and the World Bank in Washington were of particular significance this year to both India and the world.... The markets and the governments of the world...had their eyes focussed on Washington, since this was the first such gathering after the East Asian crisis exploded late last year. On neither count has the conference yielded a positive outcome.... While the turmoil in East Asia has ebbed somewhat, the controversy over the role of the IMF in the crisis has not. Yet, the finance ministers who met in Washington broadly endorsed the IMF programs, without in any way evaluating the efficacy of the institution's approach. If anything, the meetings have strengthened the hands of the IMF to develop a 'tiered response' while warning countries

of an impending crisis....

"The world body will soon be able to go public if the 'problem' country does not take appropriate action. Since the IMF's capacity to foresee a crisis has never been of a very high order, the danger here is that advice on a wrong understanding will precipitate a market reaction even when there is no fundamental problem with an economy.... The IMF's system of publicizing broad trends in national economies...did not help stave off the East Asian crisis of 1997.... There is no reason to believe that adherence to the new code will make any difference in the future.... The first steps are being taken to prevent private creditors from continuing with risky lending since they know that the IMF will protect their capital if a problem arises. The IMF is to work towards preventing this problem of 'moral hazard,' by devising ways to make international banks also bear the cost of foolish lending to gullible borrowers."

EUROPE

BRITAIN: "Washington Outlook Bright Beyond Tokyo Stormclouds"

The conservative Times had this by economics editor Anatole Kaletsky (4/17): "The main conclusion to emerge from the Washington meetings of the IMF and the G7 was predictable, but nonetheless important. The Asian crisis, which was mainly responsible for the sudden disappearance of hawks in the central banks, has turned out to be more damaging than expected for the countries directly involved, but it has been little more than a pinprick for the advanced economies of America and Europe.... Perhaps the most powerful message to come out of the Washington meetings was the indecision and lack of leadership in the Japanese government's approach to its economic problems. It was hardly surprising that the G7 communique, which seemed justifiably optimistic about every other feature of the global economic picture, betrayed an obvious lack of confidence in Mr. Hashimoto and Japan."

"Strengthening Global Finance"

The independent Financial Times commented in an editorial (4/16): "If nothing else, the Asian financial crisis has shattered complacency. The entire 'architecture' of the global financial system is under review. But a successful outcome will be difficult to secure, since the issues are intractable and contentious. As the shock fades, the powers that be may even decide to change rather little. If so, they will merely be inviting the next calamity. At present, however, the ideas are flowing. The spring meetings of the IMF and the World Bank in Washington this weekend and the accompanying discussions of the G7 finance ministers have occasioned several contributions. Foremost among these was a thoughtful speech by Treasury Secretary Robert Rubin on Tuesday.... At least policymakers are grappling with some of the difficult questions. The need for greater transparency has become obvious, as is the case for circumscribing national sovereignty over financial regulation.

"The biggest issue, however, is how to balance the lender of last resort function against the need to ensure private sector responsibility for mistakes. To this Mr. Rubin has not provided the solution, perhaps because there is none."

"G7 Ministers Warn Japan To Prevent Wider Crisis"

The liberal Guardian commented from Washington (4/16): "Among the current concerns is that Japan's lurch into a period of no growth can be reversed before it moves into a downward spiral that could aggravate Asia's problems and rebound to the United States and Europe."

"U.S. Tells G7 To Lean On Japan"

The liberal Guardian commented from Washington (4/15): "The Americans believe that placing Japan back on the right track will be an essential component for repairing the global economic architecture.... Both the United

States and the IMF fear that the Japanese authorities will not act fast enough to pull Japan back from recession. A slowdown in Japan at a time when the global economy is already weakening as a result of the East Asian crisis, could push the international economy into stagnation."

"Can Japan Escape From A Deflationary Spiral?"

The independent Financial Times' editorial held (4/14): "Despite the more detailed plans for income tax cuts and public spending announced by Prime Minister Hashimoto last Thursday, the risk that the world's second largest economy will suffer a precipitous decline remains disturbingly high.... There will have to be another package, which will be even harder to pitch at the right confidence boosting level. In the meantime the yen seems likely to remain weak, ensuring that Japan reexports the impact of the Asian crisis to Europe and the United States. This underlines the global implications of Japan's plight. Without a Japanese recovery the rest of Asia's problems will be harder to solve. With a Japanese deflation the risk of a protectionist backlash grows. Japan can and should expect continuing international pressure for more radical action. This is dangerous territory indeed."

FRANCE: "Transfer Of Capital: Liberalization Under Surveillance"

JeanPierre Robin, Washington correspondent for rightofcenter Le Figaro Economique (4/16) wrote: "Despite an aggravated crisis in Asia, the G7 and the IMF want to favor the free transfer of investments.... The Asian crisis must not lead to a restriction of international capital trading. The remedy is to liberalize the flux of capital, and improve the surveillance systems which have so far been faltering.... Great Britain recommended the creation of a mutual surveillance committee between the IMF and the World Bank."

"G7's Double Challenge: Weak Yen And New Financial Crisis"

MarieLaure Cittanova and Gilles Senges commented in rightofcenter Les

Echos (4

/16): "Before the G7 meeting, which was essentially concerned with the excessive decline in the yen, the IMF, the World Bank and leaders gathered in Washington had only one obsession: adapt the international monetary system after the Asian crisis.... Aside from the difficult discussions about forcing Japan to play its role of economic leader, the other theme of the spring meetings between the IMF and the World Bank was the prevention of financial crisis."

"Japan Under Pressure From G7 And Trade Markets"

Centrist La Tribune frontpaged this (4/16): "Tokyo is pressured by his partner to restart its economy.... Washington is very concerned by the excessive decline of the yen."

"Japanese Government More Irritated Than It Says"

Leftofcenter Liberation, in comment from Tokyo, judged (4/15): "On the eve of the G7 meeting, the finance minister denies pessimistic forecasts.... The Japanese government is probably more irritated than it says by the critics from its main commercial partners and affiliated organizations."

"Washington Will Put Pressure On Japan"

JeanLouis Santini commented in wire service AFP (4/15): "At the G7 meeting in Washington on Wednesday, the United States will put pressure on Japan to implement lasting measures to restart the economy to make sure that the second world economy avoids a recession.... At a press conference in Washington, Robert Rubin said the measures recently announced by the Japanese prime minister were very significant. He immediately added that he wanted to see the details of the program."

GERMANY: "A Promise"

Centrist Stuttgarter Zeitung had this to say (4/17): "The exhortations fell on

receptive ears. The financial experts had called for reforms to liberalize the European labor markets. These points were also put in the final communique written by the finance ministers and central bank directors of the G7. Germany, France, and Italy belong to the G7 and thus they direct these points towards themselves. But those communiqués usually do not have much to do with the policies carried out by the national governments."

X hp x (#

ITALY: "G7 Leaders: 'Careful, Another Crisis Will Destroy Us'"

X hp x (#

Arturo Zampaglione wrote from New York for left-leaning, influential *L'Espresso* (4/17): "Treasury ministers and central bank governors yesterday dealt in

Washington with the 'architecture' of international finance....

Invited by U.S.

Treasury Secretary Rubin...representatives of the G22...listened to the U.S.

proposals. First, more transparency for the economic data supplied by all countries.... Second, the establishment of more rigid criteria for banking institutions all over the world.... Third, making private investors co-responsible....

Of course, it will take time before all these ideas develop into political decisions, but everybody realizes...the urgent need to achieve a conclusion. Everybody is convinced of the risk that another crisis, perhaps even more serious than the Asian crisis, may bring the international economy to its knees."

"G7 Puts Japan On Trial"

X hp x (#

An editorial in provocative, classical liberal *Il Foglio* said (4/16): "Tokyo has not only adopted tardy and insufficient measures aimed at stimulating domestic

demand; it also continues to refuse liberalizing its financial market, preventing

foreign investment which could help the stock market and make the yen stronger....

Western industrialized nations, as well as the IMF, would like Japan

to adopt more courageous measures to reduce taxes in order to increase revenues,

boost consumption and restore trust among the citizens.... For the time being,

Tokyo wants to be a G7 member, but refuses to observe the basic rules of the

he club."

X' hp x (#

"G7: Yen Needs To Be Stabilized"

Mario Platero observed in leading business Il Sole24 Ore (4/16): "In order to give muscle to G7 decisions, the United States and Japan held a bilateral meet ing in Washington yesterday to work 'together to sustain a weak yen.' This is the strongest U.S.Japan joint initiatives in the last three years....

"Trying to avoid a deterioration of the Japanese crisis is even more important at a moment when the other nations of the region are painfully coming out of on e of their worst financial crises.... This is why G7 nations have focused thei r attention on the stability of the yen and have agreed to carry the burden of possible coordinated interventions to complement Tokyo's economic initiatives."

"How To Cure A Sick Japan"

Boris Biancheri, former Italian ambassador to Washington, remarked in centrist, influential La Stampa (4/16): "It is not part of the Japanese style to presen t resistance to demands coming from the international community. The Japanese are inclined to accept them...(and) adjust them to their internal needs later.. .counting on the difficulty that foreigners have in grasping the complicated in ternal mechanisms of their country."

RUSSIA: "Japan Left To Its Own Devices"

Dmitry Zharnikov wrote in reformist Noviy Izvestia (4/17): "Weak Japan is a b ig headache for the West, which is doing everything to protect itself from chea p Japanese exports and global financial cataclysms. In Washington, the Japanes e were told bluntly that they could rely only on themselves.... Russia held no part in denying 'brotherly capitalist aid' to Japan. Moscow was not invited. Commenting on that, the chairman of the Russian Central Bank, Sergei Dubinin,

aptly remarked that Russia's political weight still exceeds her economic potential."

HUNGARY: "When The Giant Collapses"

Foreign editor Eva Elekes wrote in second largest circulation Nepszava (4/15):

"The whole world is all eyes looking at Japan struggling along with trying to rescue itself.... But the British weekly The Economist is not that pessimistic, pointing out that Japan's share in the gross global output is only 13 percent and the now very strong U.S. economy, together with the increasing demand of the European and Latin American markets, compensate for the decline of Japan. While Japanese Prime Minister Hashimoto hastens to counter international criticism, he also has to think about his own future. There will be elections in July, and many in the ruling Liberal Democratic Party think that somebody has to be made responsible for the economic hardships. That someone, a scapegoat, will probably be Hashimoto himself."

LATIN AMERICA

X' hp x (# BRAZIL: "IMF Counterattacks"

X' hp x (#

An editorial in liberal Folha de Sao Paulo said (4/17): "The IMF was hardly

criticized during the Asian financial crisis, but it again is accusing the

industrialized economies of being responsible for the global instability.

There is

a paradox in the world economy. Today growth is not better because the United

States has benefited from the crisis. But some of these benefits may have bad

effects in the coming months. On a short term, the horizon is positive, but it

s roots may be problematic. The U.S. economic scenario, while comfortable today,

says the IMF, may also contain the seeds of its own deterioration in the near

future. The risks for the global system remain, however, and not only in the

so-called emerging markets."

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===== END ATTACHMENT 1 =====

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: Elizabeth R. Newman ("Elizabeth R. Newman"@lgate3.eop.gov [UNKNOWN])

CREATION DATE/TIME: 1-MAY-1998 19:46:00.00

SUBJECT: Remarks by Sandy Berger as Prepared for Delivery

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Message Creation Date was at 1-MAY-1998 15:46:00

THE WHITE HOUSE

Office of the Press Secretary

(Palo Alto, California)

For Immediate

Release

May 1, 1998

As Prepared for Delivery

REMARKS BY SAMUEL R. BERGER

ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

THE BROOKINGS INSTITUTION

WASHINGTON, D.C.

MAY 1, 1998

"The Price of American Leadership"

Some Congressional actions bear upon our nation's most immediate needs.

Others touch off broader debates about how we view the world and our country's

role within it. In the weeks ahead, Congress faces a choice on an issue that

does both. It can send the message that there still is a strong bipartisan foundation for an active U.S. role in the world -- as it did last night with

the overwhelming vote to admit Poland, Hungary and the Czech Republic to NATO.

It can reaffirm our vision of an America committed to its obligations, confident in its power, courageously leading the world. Or that vision can begin to blur!) a victim of complacency and of fear.

In the emergency supplemental that passed yesterday, Congress left out two

critical parts of the President's original request -- satisfaction of our long overdue debt to the United Nations; and payment of our share of support to the International Monetary Fund. Each constitutes a necessary investment in our national security -- and each will pay off, many times over.

But these two items are only the more visible tip of a profound debate that must concern all Americans -- whether we will remain engaged abroad and maintain our leadership in the world, or turn our back and retreat within our national borders.

The outcome is by no means certain. Americans, willing to assume global responsibility when their safety is at stake, are equally prone to turn inward once that safety appears to have been assured.

World War I, World War II, the Cold War !) in each instance, an existential threat to our vital interests and our fundamental values constituted a clarion call to action. And in each instance, we responded brilliantly.

In the wake of the Cold War, we are not presented with a single, overriding threat. Instead, we face a range of threats !) dangerous, but diffuse. Some

believe the time therefore has come once again to !&tend to our own
business.!8 The argument presents itself in different shades, but at its
core
is the perception of the world essentially as a burden !) as something to
be
dealt with only if necessary, ignored whenever possible.

This view is premised on the belief that the foundations of our wealth and
security are exclusively home-grown, that there is little to gain from
foreign
engagement and much to surrender !) in resources expended, sovereignty
diluted,
jobs or even lives lost.

That view, in my judgment, suffers from two basic fallacies !) first, that
we
can isolate ourselves from the world, and second that we should.

Globalization

!) the process of accelerating economic, technological, cultural and
political
integration !) is not a choice. It is a growing fact.

It is bringing citizens from all continents closer together !) allowing
them to
share ideas, goods and information at the tap of a keyboard.

It is a fact that will proceed inexorably, with or without our approval.

It is a fact that we ignore at our peril. Our workers and businesses will suffer if foreign markets either collapse or lock us out; terrorists and drug traffickers ignore national boundaries even if we don't; and the highest domestic environmental standards won't protect us if we can't get others on board, for their carelessness threatens us as much as our own.

In short, our citizens have a direct stake in the prosperity and stability of other nations -- in their open markets, in their ability to combat international crime, in their clean waters and clean air.

Let me be clear: the alternative to engagement is not withdrawal from the world; that is an impossibility. The alternative is a passive submission to powerful forces of change -- all the more ironic at a time when our capacity to shape them is as great as it has ever been.

In short, we cannot isolate ourselves from the world. But just as important, we should not want to. Of course, military strength remains a pre-requisite of American power. Without American power, American security is vulnerable,

American interests are at risk, and American diplomacy is undercut. Yet more than ever before, our strength also grows out of our involvement in the world.

Our engagement not only can fend off an existential threat -- it reduces the likelihood of such a threat emerging in the first place. That -- is what the international community is doing in Iraq, seeking to disarm Saddam Hussein before he threatens the region again.

And our engagement not only protects our safety -- it enhances our prosperity.

That -- is what our aggressive trade policy has achieved -- opening markets to American products and services throughout the world.

The bottom line is this: our nation -- is economic performance is unrivaled, our military might is unmatched, our political influence is unsurpassed, very much because of -- not in spite of -- our engagement in the world.

We have moved from a zero-sum game in which the Soviet Union -- is gain was our loss to a logic of interdependence in which our interests often are served by the strength of former adversaries -- not by their weakness; in which our prosperity is advanced by the vitality

of our economic partners -- not by their frailty.

The strategy put in motion by President Clinton flows from this fundamental understanding.

We seek to create and strengthen a broad system of international arrangements

built around our core values and interests -- democracy, open markets, free enterprise, peace and stability.

Our military alliances, global arms control regimes, market opening trade agreements, support for economic and political reform in emerging nations, partnership with a democratic Russia, strategic dialogue with China, involvement in regional disputes like the Middle East or Irish peace processes, efforts to reach out to and expand trade with Latin America and Africa -- all

grow out of this logic. These arrangements may take the form of international

institutions, multilateral treaties, or even bilateral agreements, but in each

instance the objectives are the same:

First, to promote American interests and values by entangling nations in a web

of mutually reinforcing arrangements that maximize both the benefits of compliance and the costs of transgression. Membership in an expanded NATO

requires adherence to basic democratic principles: the rule of law and civilian control of the military.

Joining the WTO requires tearing down trade barriers, reducing tariffs, eliminating quotas. Benefiting from IMF loans entails dismantling protected and subsidized sectors that have created domestic sanctuaries impenetrable by foreign competitors.

Continued participation in the Organization of American States involves adherence to democratic principles of government.

Our second objective is to leverage our power and influence, wherever possible, through the multiplier of collective action. Our contributions to international institutions add up to only a fraction of their total resources

!) for example, every dollar we provide to the IMF is matched by \$5 provided by others.

Yet our contributions enable us to lead these critical institutions and put us in a position to accomplish goals that make a difference for all Americans.

United Nations forces keep the peace in areas vital to our interests, from the

Balkans to the Persian Gulf, from Haiti to the Middle East. The International

Atomic Energy Agency protects our citizens from the dangers of nuclear proliferation. The World Health Organization defends us from the spread of infectious disease. This is a small sample of the goals that we either could

not pursue alone or would have to pursue alone - but more expensively and far less effectively.

Our third objective is to preserve America's role as a balance wheel for stability.

No other nation has the muscle, the diplomatic skill, or the trust to mediate

disputes, nudge opposing sides to the negotiating table or, when appropriate,

help enforce the terms of an agreement. Israelis and Palestinians finalize their agreement on the White House lawn. Bosnians huddle at Dayton.

Haiti's

dictators yield to our military threat. The parties in Northern Ireland look

to America for help in their courageous quest.

Not all roads lead to Washington, nor should they.

But when important American interests and values are at stake, we need the ability and stature to be a decisive impetus for peace and security !)

whether

through diplomacy, economic incentives or force.

Our nation faces a profoundly important choice. We can continue on the course

charted by the President, working with others to seize the opportunities of the

global era while seeking to avoid its perils, maintaining our strength to act

on our own when we must, or we can seek refuge in an illusory withdrawal.

We can seek to steer change to our advantage -- or be engulfed by it.

This choice presents itself starkly in the decisions on whether to grant the

President fast track authority to negotiate trade agreements or to fully fund

our international affairs budget.

And it presents itself starkly in the two specific requests now before the Congress !) to pay our share of support to the IMF and to pay our overdue UN

bills.

Nowhere is globalization more apparent, nor its effects more direct, than in the economy. Trade is twice as important in our domestic economy now as it was when I entered the work force. It has fueled one-third of the sustained growth we have enjoyed these past five years. Today, exports support 12 million American jobs that pay on average 15 percent more than others. An economic downturn among our trading partners can have serious consequences for our workers, our farmers, our businesses, our stockholders. Conversely, by shoring up our partners, encouraging structural reform, tearing down trade barriers , we boost our own economic fortunes.

The IMF plays a central role in steering the global economy in the right direction. The Fund works with countries at risk to shape effective reform programs that strengthen financial systems, increase market access, improve transparency, and reduce corruption and overly incestuous relations between banks, governments and industry. In times of crisis, as we experienced in Mexico or Russia and now are experiencing in Asia, the IMF provides critical assistance that can restore financial stability. And it takes the heat for the tough decisions that governments need to make !) and sometimes want to blame on others.

All of this is in America's fundamental interest and can be preserved if we agree to pool our contribution with that of other IMF members.

Think for a moment about the cost of not having a strong and effective IMF. The countries in Asia are our customers if they can't buy, we can't sell.

They are our competitors if their currencies depreciate, they undercut the competitiveness of our own goods. And they are our security partners if their instability could bring crisis to a region where we have both critical national security interests and 100,000 U.S. troops to protect them.

More generally, by undermining the IMF we weaken the only multilateral institution capable of inducing the reforms that will make recovery self-sustaining.

In sum, even if the IMF were to cost us something, it would be well worth the deal. But in fact, because the IMF acts as a sort of international credit union, our contribution to the Fund has not cost the American taxpayer a single cent.

What we have been able to achieve economically through the IMF, we have been able to achieve on so many other fronts through the United Nations.

The benefits to the American people are tangible, measured in efforts to prevent the diversion of nuclear materials, increase the safety of nuclear plants, and promote the safe disposal of nuclear waste, humanitarian programs that reflect our deepest values, like caring for refugees, vaccinating children, sheltering the needy, international standards that make the skies safer for travelers and food safer for consumers. All this -- and more -- comes at an annual price tag of roughly \$4 per American -- about the price of a happy meal at McDonald's, and a fraction of what it would have cost us to achieve these goals on our own.

Some say that the UN is badly in need of reform and that we should not pay our dues until that occurs. It is. Working with Congress, we have helped the UN achieve more reform over the past half decade than in the 45 years that preceded it.

Last year, we developed a three-year plan with broad bipartisan support to encourage continued reform while finally paying our debts. Unfortunately, last fall and then again this week, a small group of representatives chose to

link

passage of this plan to unrelated legislation on international family planning.

As a result, we risk the single best chance to put our UN debts behind us

--

and to put the UN on the right path for the 21st century.

Again, do not think only in terms of the cost of paying our debt to the UN

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think in terms of the cost of not paying it. It will harm collective efforts

to deal with emerging threats that cut across borders -- from terrorists to organized criminals, drug traffickers, and environmental damage.

It will be a body blow to our international credibility, hobbling our diplomats

in ways large and small, undermining our central message that nations need to

live up to their commitments. And, by next January, it may even lead to the

loss of our voting rights in the UN General Assembly -- an institution born on

our soil out of the vision of Americans like Roosevelt, Truman and Acheson.

Beyond these fundamental interests, there also is a basic moral principle:

America pays its debts. We should pay the UN what we owe.

By acting now to support the IMF and pay our dues to the United Nations, Congress can reassert its determination to preserve America's leadership in the world. It can send the message that our nation is confident; it will master the forces of globalization and not be mastered by them. And we can continue to build on the past five years' list of accomplishments in Haiti, Bosnia, Russia, China and elsewhere.

Will the United States survive and thrive if Congress chooses the alternative course? Of course. Our people are far too resilient and far too resolute for it to be otherwise.

But we risk awaking to a different America in a different world. And neither America nor the world will be able to figure out how we frittered away so rich an inheritance, how we renounced so commanding a position, how we squandered such bountiful opportunities.

So let's not weaken our own hand. Let's make the wise investment in American leadership that will help keep our nation at the pinnacle of our power as we

enter the 21st century.

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CREATION DATE/TIME: 4-JUN-1998 16:30:56.00

SUBJECT: Daily Digest 6/4: RUSSIAN FINANCIAL 'BREAKDOWN'?

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[002]

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TEXT:

News reports on the few ups and the many downs in the various sectors of the Russian economy prompted reaction in the European, Asian and Latin American press this week. Notably, the overwhelming world media attention being given to India and Pakistan's tit-for-tat nuclear tests last month had the effect of dampening editorial coverage of most other current events, including the serious situation in Russia. Those analysts who did focus on Russia described a former superpower beset with multiple economic ills--including threats to its currency, low tax revenues and soaring government debt--all problems magnified by the Asian financial crisis. Pundits warned that should Russia experience a total financial "breakdown," a government crisis in Moscow would ensue. Opinionmakers agreed with liberal Folha de Sao Paulo's judgment that that would "give the whole world cause for worry." Following are major themes in the commentary:

YELTSIN'S EFFORTS: With few exceptions, most observers inside and outside

Russia were dubious about the Kremlin's recent efforts to turn the economy around. Centrist Nezavisimaya Gazeta, for example, criticized in particular the government's increased tax pressure and the Russian Central Bank's decision to dramatically hike the banking rate, contending that both of these actions have "had no effect." Media voices in Paris and Madrid identified what they saw as the international markets' "lack of confidence" in new Russian Prime Minister Kiriyenko's ability to implement his financial reforms as another reason for the continuing economic upheaval. Moscow's reformist Noviy Izvestia echoed the complaint of editorialists elsewhere that the Yeltsin government's solutions are merely "emergency measures." They fretted that the Russian leader and his officials have yet to address the underlying problems at the root of the economic turmoil, and have failed to make a "calculated choice with regard to a long-term strategy." A few analysts, pointing out that Russia's "roller-coaster" financial markets took a turn "for the better" earlier this week, agreed with Beijing's official Chinese Youth Daily that some of the Russian government's measures to stabilize the economy have "really worked."

REMEDIES: A majority of opinionmakers said that it would take "help from the outside" to enable Russia to avoid the Asian tigers' fate. Analysts held that the U.S., other economic powers and the IMF must see to it that Russia does not "go under." A number of dailies noted President Clinton's announcement last Sunday that he would support extra funding for Russia from international lending agencies. London's independent Financial Times commented that "while the [president's] statement may well be helpful, the financial markets may demand more evidence of the importance of the commitment." Agreeing that Russia needs a "speedy course of inoculation"

against the "Asian flu," a considerable number of pundits also insisted that "tough conditions" be attached to "any rope thrown Moscow's way." Some observers saw outside help as having serious "limitations." They emphasized that only Boris Yeltsin, by committing to "real reform," can ensure that Russia survives this crisis.

This survey is based on 42 reports from 12 countries, May 28-June 4.

EDITOR: Diana McCaffrey

EUROPE

RUSSIA: "Russia Easier To Buy Than To Help"

Aleksei Makushkin held in reformist *Noviye Izvestia* (6/4): "The life cycle of an economic policy providing for the coexistence of economies based on foreign and domestic markets is over. Assuming that, we should know what to do next. A new redistribution of property. In fact, it is what the new government has suggested doing and what some of our most farsighted businessmen predicted several years ago. Two things are important. First, we need to carefully assess the consequences of killing 'the non-dollar' economy (how many more 'railroad wars' can the government endure?), and second, we must be clear on our chances to manage our property under new rules, on a par with the managers of major Western companies. We should not count on outside help. The West must think it easier to buy us, tired of throwing money into the fire-box to keep the Russian engine going."

"U.S. Genuinely Concerned Over Russia"

Melor Sturua filed from Minneapolis for centrist Nezavisimaya Gazeta (6/4):

"It will not be an exaggeration to say that Washington, for the first time since Yeltsin came to power, is genuinely concerned about Russia's future.

The Americans' concern is quite real and so is their desire to help. The trouble is that there is not much they can do. In fact, moral support and counsel is all they can afford to offer now. Japan can't help much either, its banks shaky as much as the yen.... You can't rely on Western banks either, for they are hard to touch by lamentation about Russia's tough luck or to scare by speculation about its nuclear potential getting out of control. So it looks like a stalemate: All would hate to see Yeltsin's Russia collapse, but nobody is willing or able to help it."

"It's G-7 After All"

Elmar Murtazayev said on page one of reformist Russkiy Telegraf (6/3):

"Members of the U.S. administration and the IMF have these days reverted to the habitual G-7 abbreviation, preferring it to the recently coined G-8.

Expelling Russia from the Eight after it was accepted almost as an equal is due to changes in its economic condition. The crisis has put things back where they belong. Russia, its financial impotence obvious, has dropped out of the select list, downgraded from a junior partner to just another petitioner."

"Yeltsin Asks Business Not To Worry"

Reformist Segodnya ran this report by Georgy Bovt and Aleksandr Chudodeyev

(6/3): "Assuming that the current financial crisis is of a 'purely psychological' origin, we have yet to decide who has contributed to it the most via his political and economic impromptus. Everybody would do best to stop being nervous and making others nervous and, for instance, sit back in a comfortable chair and watch Roland Garos or the coming World Football Championships."

"Russia Afraid To Hear No"

Yulia Ulyanova said in reformist Segodnya (6/3): "Insisting that we are not asking for money sounds like a rabbit who, caught by a fox, pleads that he will accept anything but being thrown in a thorny bush. All we want is to be thrown in that safe bush. But we can't say that plainly. If only because we are afraid to hear a flat 'no.'"

"American Investors Caused Clinton To Move To Offer Help"

Reformist Russkiy Telegraf front-paged this article by Andrei Serov and Yelena Stanova (6/2): "The Duma is wrong if it thinks that Bill Clinton is afraid of Russian missiles, START II still unratified by Moscow. Fair enough, the current crisis, in the worst case, might hypothetically cause political instability in this country, but, as Boris Fyodorov [new chief of Russia's tax revenue service] remarked yesterday, the West will not always

offer Moscow credits only because it has many warheads. Clinton is going to help mostly American investors stranded in Russia. The procedure used to rescue private Western capital in Thailand, Indonesia and South Korea could work in Russia as well."

"Judgment Day"

Ivan Zhagel held in the Finansoviye Izvestia supplement to reformist Izvestia (6/2): "This had to happen. There was no avoiding a crisis, with the federal debt rising fast every year and coming to around half the GDP today. The Judgment Day has come. But, apart from getting punished, we could use this day to learn lessons. Of those, the most important one is perhaps that you can't build a working market economy by resorting to extremes, even if they are democratic-capitalist."

"State Management Inadequate"

Aleksei Makushkin held in reformist Noviy Izvestia (5/29): "Though the past week's situation has been rectified by now, the government has yet to make a calculated choice with regard to a long-term strategy. Our economic leaders are always busy carrying out emergency measures. State management is basically at variance with the critical choice to be made. You can't really expect it to make strategically-balanced decisions. To move ahead, we need to bring the system out of a time-deficit situation."

"How To Win Back Investors?"

Tatyana Koshkareva and Rustam Narzikulov had this to say on page one of centrist Nezavisimaya Gazeta (5/29): "The Central Bank's decision to hike the banking rate has had no effect. Nor will increased tax pressure, as the basic idea of the current economic policy. The authorities are evidently well aware of that. Hence their recriminations and threats against speculators. Economics end where a search for the nation's enemies begins. With an approach like that, we may lose even the few remaining investors."

"Critical But Not Hopeless"

Yelena Gosteva and Igor Moiseyev pointed out on page one of reformist Segodnya (5/28): "While the situation regarding the financial market is critical, it is quite controllable and not hopeless."

GERMANY: "The Czar Should Have Known"

Manfred Quiring noted in right-of-center Die Welt of Berlin (6/4):

"Russia is in danger. If the ruble is devalued, the entire unstable (economic and political) balance in the country would collapse. Yeltsin's team knows that Russia will be unable to cope with another monetary, and a closely linked, price disaster as it happened at the beginning of the 90s. The soil has already been prepared for organized resistance, and the recent strike of the miners is a good example. As long as the currency remains stable, the current leadership will also be in a stable position. But if the ruble and thus the prices plunge, the chances for the Kremlin team to safeguard the continuation of power with its own candidate at the

presidential elections in 2000 would be over.

"And nobody can guarantee that the Russian voter, in an atmosphere of uncertainty and frustration, would vote for a democratic candidate. A 'savior of the nation' a la Zhirinovsky would possibly be listened to. In Russia, with its fragile democratic traditions, not too much is necessary to raise calls for a 'strong man' who, in a wise and fair, but inexorable way restores law and order....

"The Undersecretary of the Treasury, Lawrence Summers, said that 'one of the real dangers with which Russia is now faced is the same kind of corporate capitalism which has made its contribution to the outbreak of the financial crisis in Asia.' If we follow this logic, one thing becomes clear: President Yeltsin is courting those forces which are co-responsible for the bungled-up situation in the country. And by politically upgrading them, he has now laid the foundation for a repetition of the Russian crisis which has not yet been resolved."

"The Russian Crisis"

Jens Hartmann wrote in right-of-center Die Welt of Berlin (5/29): "The moment of truth is now. The finance ministry must pay government bonds for over 80 billion marks in the next few months--an almost indissoluble task.... The confidence of the investors, as can be seen at the stock market, is shattered. A devaluation of the ruble would not only cost Russia its international credibility, but would also clear the way for inflation. The West should be interested that the Kremlin does...not have

to sacrifice the ruble. A financial crisis could quickly turn into a government crisis."

"The Asian Fever Has Reached Russia"

Centrist Der Tagesspiegel of Berlin observed (5/29): "Only five months ago Moscow proudly took down three zeros of the ruble.... This success is now in danger.... Asia and the drop-off in oil prices set off a development which could not have been stopped by the best Moscow finance experts. Again help from the outside will be needed. The IMF, which in the case of Russia violated its own principles repeatedly, will help this time as well. The IMF will intervene to contain infection of the Eastern European countries. If Russia were left alone with its problems, it would endanger the stock markets in Eastern Europe."

BRITAIN: "Markets In Russia Rally After 'Anti-Crisis' Offensive"

The independent Financial Times reported from Moscow (6/3): "Russia's roller-coaster financial markets took a turn for the better yesterday as investors warmed to the government's new-found commitment to bring its public finances under control.... President Yeltsin yesterday consulted with ten senior Russian businessmen and bankers about the country's financial problems and promised to weave their proposals into an anti-crisis' program he would deliver at a Kremlin conference June 30."

"Russian Financial Turmoil Poses Dilemma For IMF"

Independent Financial Times commented (6/1): "President Clinton's announcement yesterday that he would support extra funding for Russia from international lending agencies was clearly aimed at bolstering confidence in Russia's nervous financial markets. Yet while the statement may well be helpful, the financial markets may demand more evidence of the importance of the commitment....

"Russia poses an intense dilemma for the IMF. On the one hand, a financial breakdown in Russia could emphasize how much it is needed in the new world economic order of rapid and volatile international capital flows.... The fund was also arguing that the crisis package announced by the Russian government last week was sound and that there were no grounds for a devaluation of the ruble, or for continued instability in Russian financial markets.

"Part of the fund's concern may be that the promise of a bail-out may well dissipate a sense of urgency generated by the turmoil, and that the Russian government would revert to its pattern of the past two years, when it has promised fiscal reforms but been slow in achieving them."

"Rot Under The Ruble"

The conservative Times commented (5/29): "Russia's determination to defend the ruble is not in doubt. Nor is the determination of America, Germany and the IMF to help it to do so. For all parties, a stable ruble makes political as well as financial sense.... But there should be tough conditions attached to any rope thrown Moscow's way.... Over the past six

years, Russia has done much to dismantle the command economy, privatizing and liberalizing trade; but little to convert an unprofessional and corrupt bureaucracy into a just, effective public sector capable of providing core services, enforcing anti-monopoly laws and fighting crime. President Yeltsin is seen, with some reason, as too close to the rich financial and industrial carpetbaggers who thrive on a dysfunctional state. As an emerging market, Russia is inescapably vulnerable to Asian flu; a speedy course of inoculation is urgent."

"Russia's Turn For A Bout Of Asian Flu"

BBC Radio's World Service said (5/28): "Devaluation now, followed by inflation and more loss of investor confidence, would plunge Russia into political as well as financial turmoil.... Investor confidence in emerging markets has rarely been so low, and dealers in Moscow believe it is Russia's turn for a bout of Asian flu.... Can Yeltsin and Kiriyenko save the day?"

"Russia's Need To Commit To Real Reform"

The independent Financial Times had this lead editorial (5/28): "Whether Russia survives this crisis depends on whether Boris Yeltsin can accept his role in bringing it about--and credibly commit to real reform.... Mr. Yeltsin must now show strong leadership. First, he must avoid the temptation to use Sergei Kiriyenko...as a scapegoat. Second, he must accept that the public finances are at the heart of this crisis--Asian contagion is no longer a factor.... With the support of world leaders, the IMF could use this crisis as an opportunity to impose stricter

conditionality on Russia and to demand greater involvement in its attempts to reform its public finances. Mr. Yeltsin must swallow this medicine if he hopes to escape the crisis without lasting damage."

"Great Powers Need To Take Action"

The lead editorial in the conservative Daily Telegraph stressed (5/28):

"The Russian crisis is the first clear case of Asian contagion in a major European country.... There is now a serious danger that the Yeltsin administration will be forced to devalue the ruble in the coming days or weeks unless there is a major intervention by the rest of the world. It is not clear where the money will come from. The IMF is already running out of capital, drained by its rescue packages in the Far East, and Japan is prostrate. The task will fall to the American and European governments, which are not falling over themselves to lend a hand.... The great powers need to take action to preserve the international financial system. Helping Russia would be a good place to start."

FRANCE: "Kiriyenko: A Man In A Hurry"

Veronique Soule maintained in left-of-center Liberation (6/3): "Kiriyenko, the new Russian prime minister, possesses a quality which is precious in a nation where power and money are closely tied together. His independence from financial groups is essential.... But that independence is also synonymous with weakness. Kiriyenko stands isolated.... Therefore, the West wonders whether Kiriyenko has the means to implement his reforms....

"While his emergency measures have been approved by international institutions, Kiriyenko may be facing a deadlock from the Duma...once he tries to get approval for several indispensable financial reforms.... This is the last chance for the Russian economy to take off and to guarantee the 'election of Yeltsin's successor.' Otherwise, public discontent could help bring a man like Lebed to power. Kiriyenko is Yeltsin's last trump card."

"Fragile Russia"

Left-of-center Le Monde observed in its editorial (6/3): "Whatever the causes, the turmoil that shook Russia's economy last week proves to what extent that economy still lacks maturity.... Will the IMF's decision to grant \$670 million be enough to restore the confidence of investors? No one wants a crash in Russia, but many believe that the remedy may be worse than the disease. It is very well to help support the ruble, but everyone knows that while Russia is extremely rich, in theory, its economy is stagnating and its debt has increased enormously.... Russia still doesn't know what kind of market economy it needs. Neither does it know how to put an end to a form of corrupt capitalism which for the moment seems to profit only very few 'robber barons.'"

"Threats"

Centrist La Tribune stated (5/28): "The falling ruble is threatening an over-extended Russia with a major economic crisis, while the yen's

continued depreciation threatens Hong Kong."

ITALY: "Crisis, It's Russia's Turn"

An editorial in provocative, classical liberal *Il Foglio* (5/28) opined: "It is increasingly evident how difficult it is to move to a free market and to democracy after 70 years of communism, and how old international institutions are inadequate to deal with a crisis of this kind."

CANADA: "Russia Has To Practice Sound Governance Before Preaching"

Columnist and Hudson Institute fellow, Marie-Josée Kravis, commented in the business-oriented *Financial Post* (6/3): "Three weeks ago, Russian President Boris Yeltsin was fraternizing in Birmingham, England, with the leaders of the seven leading industrialized nations, worrying about the outcome of Asia's financial crisis. Last week he had a financial panic of his own.... The real irony is [that]...Russia was a signatory to the G-8 summit communique that admonished Asian and other emerging countries to adopt policies conducive to macroeconomic stability, transparency, disclosure and rule of law. Talk about the pot calling the kettle black.... It is clear IMF support is critical for Russia. A further deterioration in its financial affairs followed by a devaluation of the ruble would bankrupt the country's entire financial sector.... Yet that support cannot be predicated only on the condition Russia that continue to slash spending and collect taxes. The issue of Russia's weak institutions, corrupt practices and unpredictable leadership cannot be conveniently overlooked. It is time Russia be held accountable for what

it preaches and what it signs."

HUNGARY: "Russian Government Needs Biggest Possible Capital Injection"

Conservative Napi Magyarorszag carried an by Laszlo Daroczi (6/4): "There are various different theories of what made the Russian stock market and the ruble collapse. Some analysts think that it was not the direct consequence of the Indonesian crisis or the Russian cabinet reshuffling. They opine that the Russian Duma sparked it by passing a law that limited foreign ownership of the biggest Russian electricity giant to 25 percent. But it would be a mistake to blame it all on the opposition members of the Russian cabinet, even if their motivation in fighting back for the forced appointment of Kiriyenko is kind of obvious.

"The Russian government is now obviously needing the biggest, and the soonest, possible capital injection in order it could pay back its internal debts. And it is more than urgent for Moscow to tackle the burning issues since each missed chance weakens the position of Boris Yeltsin, to be re-elected against the other key figure, Alexander Lebed, who has entered the political arena again."

"Fear Of Ruble Collapse"

Leading political-business daily Vilaggazdasag asserted (5/29): "Ten years ago, no one would have believed that the situation of the Russian ruble could become a major issue for leading international investment funds. If leading international powers fail to provide prompt financial

assistance to Moscow, it is feared that the Russian national currency will suffer its biggest ever collapse, which might induce a deeper crisis that hit Mexico and South East Asia earlier. It is difficult to say why the panic has broken out exactly now, but whatever the case is, the question is what the best way is to tackle the problem. The Russian central bank has professionally been handling the crisis up till now (except for the remark of bank governor Dubinin saying that he would 'spit those into the eyes of those who spoke about devaluation'). But high interest rates can't be kept forever because such a policy could have an impact on the costs of the economy and of the state budget. The International Monetary Fund, that garnered the bailout packages relatively quickly in the case of Mexico and Southeast Asia, is, surprisingly, not taking any special steps now. It backs Kiriyenko in his efforts and the stability of the ruble in words, but speaks only about freeing an additional part of the running \$10 billion program for Russia. But there is more at stake here and now. It might quite easily be the case that president Yeltsin is going to be buried underneath the ruins of exactly what he had established: the market economy."

SPAIN: "Markets Lack Confidence In Kiriyenko"

Liberal El Pais noted (6/3): "The shockwaves caused by the Asian crisis have reached another developing economy, Russia's, converting its troubles into a serious new problem for the global economy. There are many reasons why this has come to pass, although one stands out: lack of confidence by the markets in the new prime minister, Sergei Kiriyenko, who was nominated by Yeltsin in order to demonstrate that there is only one czar, himself.

This mistrust has caused the Russian ruble and its stock market to fall time and again, despite the measures announced by the government to prop them up, and has even obliged Clinton to step in with promises of more loans.... In Russia as well as in Asia, economic reforms need to go hand-in-hand with the expansion and consolidation of democracy so that consideration is given not only to those who have been successful and become wealthy under the capitalist revolution--and who, instead of helping out in the crisis, have sent their money out of the country--but also to the millions of Russians who are no longer disposed to suffer in silence."

"Russia On The Ropes"

Independent El Mundo noted (6/1): "With an external debt of \$200 billion...and its productive sectors verging on collapse, Russia is still far from being a viable, stable, industrialized democracy. Russia needs three things: fiscal reform with fewer expenditures and better tax collection...the establishment of an effective rule of law and serious security measures....and, finally, the reforms needed for the creation of a true middle class. When a university professor is paid on the order of \$85/month and dinner in a Moscow restaurant costs about \$100/person, what is being witnessed is a society in shreds with privileges for a few--from the nomenklatura of yesterday to the mafiosi and nouveaux riches of today--and an overwhelming majority who possess virtually nothing."

"Asian Crisis Growing More Acute"

Independent El Mundo noted (5/28): "Far from dying down, the Asian financial crisis seems to be growing more acute. Wall Street and the European markets experienced sharp drops yesterday in the face of rumors of the collapse of the Japanese banking system and signs of political instability in the region.... Nothing would indicate that a crash of the sort experienced in 1987 is imminent, but a certain adjustment appears possible. What happened yesterday was an advance warning."

EAST ASIA

CHINA: "Russia: Holding Fast To Ruble"

Huang Bingjun commentd in the official Chinese Youth Party China Youth Daily

(Zhongguo Qingnianbao, 6/4): "Western media widely believe that the May 27 financial turmoil has pushed Russian financial markets to the verge of collapse.... However, the Russian government's measures to stabilize the ruble exchange rate and the economic situation really worked. It is the first time that the U.S. president publicly expressed the willingness to provide financial aid to Russia. Obviously, Clinton wants to bring a positive message to investors."

"Financial Crisis Derives From Long-Term Economic Depression"

Fang Yinwan opined in the official Communist Party People's Daily (Renmin Ribao) (6/1): "The serious ongoing financial crisis in Russia...actually derives from long-term economic depression.... Stagnant production, high fiscal deficits and a heavy debt burden have all affected investors' confidence in the economy.... If economic problems cannot be fundamentally resolved, financial crisis will occur at any time."

INDONESIA: "Observing Ways Russia Solves Difficulties"

Leading independent Kompas asserted (5/29): "President Yeltsin reportedly will make telephone calls to a number of foreign leaders, including President Clinton and Chancellor Helmut Kohl, to ask for moral support in dealing with Russia's economic crisis.... With international support, proper policies, cooperation between the governmental and private sectors, President Yeltsin and his administration hope that the crisis that broke out last Wednesday will not develop into a financial crash, leading to an economic crisis that brings instability."

LATIN AMERICA

ARGENTINA: "Yeltsin, A Giant With Iron Feet"

Roberto Dante Flores, from think tank Gino Germani Institute (UBA) wrote in independent Perfil (5/29): "International financial institutions do not want Russia to become the next Indonesia.... The World Bank and the IMF have allowed Yeltsin to overcome the crisis in the mining sector's delayed salaries. But the question is: for how long?... The Russian political

agenda has changed since the Soviet Union's dissolution.... From a superpower controlling internal conflicts it became a diminished big power suffering multiple rebellions seeking independence. Therefore, its priority changed: from improving relations with the West to reestablishing relations with the new countries of former Soviet Union.... Soviet disintegration brought a loss of oil resources....

"Russia knows that its Asian influence depends on keeping good relations with the oil giants of the region.... Nevertheless, today Russia depends on loans from financial institutions....

"But the remaining loans will depend not only on the special attention of social problems...but also on the reduction of the fiscal deficit, which means a policy of adjustments. The difficult task of cutting expenses without affecting salaries will be the colossal task to be done by Yeltsin if he expects to be re-elected in 2000."

"From Russia, Without Love"

Miguel Bein wrote in leading Clarin (5/28): "The characteristic of future markets is volatility. For a long period of time, we will have to live with nervous markets. Today is Russia, tomorrow it may be China. The monetary authority in Russia had to raise daily interest rates 150 percent annually to avoid a devaluation. If markets force Russia to devalue, the ruble may jump from 6.2 rubles per dollar to 15 rubles per dollar, triggering hyperinflation Indonesia style. Most likely, the German

government--Russia's main creditor and exporter of goods--will come to the rescue. For the international community, destabilizing Russia is not equal to destabilizing Thailand or the Philippines."

BRAZIL: "Russian Roller Coasters"

Liberal Folha de Sao Paulo (6/3) said: that "The 10 percent drop in the Moscow stock market on Monday, and yesterday's high of 12 percent shows that the immediate change in mood is due to the news that the G-7 members would be preparing an economic package to help the country. The support of the great powers seems to be necessary not only to avoid new complications in the affected countries, but also to reduce the risk of greater turbulence from reaching the more developed nations.

"Russia is very important. Its financial and stock markets don't have international weight, but from a geopolitical and military standpoint, any disturbance that would threaten the nation's stability, would be a cause for worry for the whole world. It's another reason for the United States and Europe to contain the crisis in the emerging markets.

"Now we have to wait for the G-7's measures to take effect, confirming the relief that prevailed in today's markets. The alternative to the creation of a support network to countries in difficulties could serve to spread uncertainty, which would cost the great global economic powers much more, and eventually bring confusion to countries like Brazil."

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RUSSIAN FINANCIAL 'BREAKDOWN'? CAUSE FOR WORLD TO WORRY

News reports on the few ups and the many downs in the various sectors of the

R

ussian economy prompted reaction in the European, Asian and Latin American

pres

s this week. Notably, the overwhelming world media attention being given

to In

dia and Pakistan's titfortat nuclear tests last month had the effect

of dampeni

ng editorial coverage of most other current events, including the

serious situa

tion in Russia. Those analysts who did focus on Russia

described a former supe

rpower beset with multiple economic illsincluding

threats to its currency, low

tax revenues and soaring government debttall

problems magnified by the Asian fin

ancial crisis. Pundits warned that should

Russia experience a total financial

"breakdown," a government crisis in

Moscow would ensue. Opinionmakers agreed w

ith liberal Folha de Sao Paulo's

judgment that that would "give the whole world

cause for worry." Following

are major themes in the commentary:

YELTSIN'S EFFORTS: With few exceptions, most observers inside and outside Russia were dubious about the Kremlin's recent efforts to turn the economy around.

Centrist Nezavisimaya Gazeta, for example, criticized in particular the government's increased tax pressure and the Russian Central Bank's decision to dramatically hike the banking rate, contending that both of these actions have "had no effect."

Media voices in Paris and Madrid identified what they saw as the international markets' "lack of confidence" in new Russian Prime Minister Kiriyenko's ability to implement his financial reforms as another reason for the continuing economic upheaval.

Moscow's reformist Novoye Izvestia echoed the complaint of editorialists elsewhere that the Yeltsin government's solutions are merely "emergency measures."

They fretted that the Russian leader and his officials have yet to address the underlying problems at the root of the economic turmoil, and have failed to make a "calculated choice with regard to a longterm strategy."

A few analysts, pointing out that Russia's "rollercoaster" financial markets took a turn "for the better" earlier this week, agreed with Beijing's official Chinese Youth Party China Youth Daily that some of the Russian government's measures to stabilize the economy have "really worked."

REMEDIES: A majority of opinionmakers said that it would take "help from the outside" to enable Russia to avoid the Asian tigers' fate.

Analysts held that the U.S., other economic powers and the IMF must see to it that Russia does not "go under."

A number of dailies noted President Clinton's announcement last Sunday that he would support extra funding for Russia from international lending agencies.

London's independent Financial Times commented that "while the [president's] statement may well be helpful, the financial markets may demand more evidence of the importance of the commitment."

Agreeing that Russia needs a "speedy course of inoculation" against the "Asian flu," a considerable number of pundits also insisted that

"tough conditions" be attached to "any rope thrown Moscow's way." Some observers saw outside help as having serious "limitations." They emphasized that only Boris Yeltsin, by committing to "real reform," can ensure that Russia survives this crisis.

X` hp x (#

This survey is based on 42 reports from 12 countries, May 28-June 4.

EDITOR: Diana McCaffrey

EUROPE

X` hp x (#

RUSSIA: "Russia Easier To Buy Than To Help"

X` hp x (#

Aleksei Makushkin held in reformist *Noviye Izvestia* (6/4): "The life cycle of an economic policy providing for the coexistence of economies based on foreign and domestic markets is over. Assuming that, we should know what to do next.

A new redistribution of property. In fact, it is what the new government has suggested doing and what some of our most farsighted businessmen predicted several years ago. Two things are important. First, we need to carefully assess the consequences of killing 'the nondollar' economy (how many more 'railroad wars' can the government endure?), and second, we must be clear on our chances to manage our property under new rules, on a par with the managers of major Western companies. We should not count on outside help. The West must think it easier to buy us, tired of throwing money into the firebox to keep the Russian engine going."

"U.S. Genuinely Concerned Over Russia"

Melior Sturua filed from Minneapolis for centrist *Nezavisimaya Gazeta* (6/4): "I

it will not be an exaggeration to say that Washington, for the first time since

Yeltsin came to power, is genuinely concerned about Russia's future.

The American

concern is quite real and so is their desire to help. The trouble is that

there is not much they can do. In fact, moral support and counsel is all the

they can afford to offer now. Japan can't help much either, its banks shaky as much

as the yen.... You can't rely on Western banks either, for they are hard to

touch by lamentation about Russia's tough luck
or to scare by speculation about
its nuclear potential getting out of
control. So it looks like a stalemate:
All would hate to see Yeltsin's
Russia collapse, but nobody is willing or able
to help it."

X' hp x (#

"It's G7 After All"

X' hp x (#

Elmar Murtazayev said on page one of reformist Russkiy Telegraf (6/3):

"Members
of the U.S. administration and the IMF have these days reverted to
the habitua
l G7 abbreviation, preferring it to the recently coined G8.
Expelling Russia
from the Eight after it was accepted almost as an equal is
due to changes in it
s economic condition. The crisis has put things back
where they belong. Russia,
a, its financial impotence obvious, has dropped out
of the select list, downgraded
from a junior partner to just another
petitioner."

"Yeltsin Asks Business Not To Worry"

Reformist Segodnya ran this report by Georgy Bovt and Aleksandr Chudodeyev
(6/

3): "Assuming that the current financial crisis is of a 'purely
psychological'
origin, we have yet to decide who has contributed to it the
most via his political and economic impromptus. Everybody would do best to
stop being nervous and
making others nervous and, for instance, sit back in a
comfortable chair and watch
Roland Garos or the coming World Football
Championships."

"Russia Afraid To Hear No"

Yulia Ulyanova said in reformist Segodnya (6/3): "Insisting that we are not
asking for money sounds like a rabbit who, caught by a fox, pleads that he
will accept anything but being thrown in a thorny bush. All we want is to be
thrown
in that safe bush. But we can't say that plainly. If only because we
are afraid
to hear a flat 'no.'"

X' hp x (#

"American Investors Caused Clinton To Move To Offer Help"

X' hp x (#

Reformist Russkiy Telegraf frontpaged this article by Andrei Serov and Yelena

Stanova (6/2): "The Duma is wrong if it thinks that Bill Clinton is afraid of R

ussian missiles, START II still unratified by Moscow. Fair enough, the current

crisis, in the worst case, might hypothetically cause political instability in

this country, but, as Boris Fyodorov [new chief of Russia's tax revenue servic

e] remarked yesterday, the West will not always offer Moscow credits only becau

se it has many warheads. Clinton is going to help mostly American investors st

randed in Russia. The procedure used to rescue private Western capital in Thai

land, Indonesia and South Korea could work in Russia as well."

"Judgment Day"

Ivan Zhagel held in the Finansovye Izvestia supplement to reformist Izvestia

(6/2): "This had to happen. There was no avoiding a crisis, with the federal d

ebt rising fast every year and coming to around half the GDP today. The Judgme

nt Day has come. But, apart from getting punished, we could use this day to le

arn lessons. Of those, the most important one is perhaps that you can't build

a working market economy by resorting to extremes, even if they are democraticc

apitalist."

"State Management Inadequate"

Aleksei Makushkin held in reformist Noviy Izvestia (5/29): "Though the past w

EEK's situation has been rectified by now, the government has yet to make a cal

culated choice with regard to a longterm strategy. Our economic leaders are al

ways busy carrying out emergency measures. State management is basically at va

riance with the critical choice to be made. You can't really expect it to make

strategicallybalanced decisions. To move ahead, we need to bring the system o

ut of a timedeficit situation."

"How To Win Back Investors?"

Tatyana Koshkareva and Rustam Narzikulov had this to say on page one of *centrist Nezavisimaya Gazeta* (5/29): "The Central Bank's decision to hike the banking rate has had no effect. Nor will increased tax pressure, as the basic idea of the current economic policy. The authorities are evidently well aware of that.

Hence their recriminations and threats against speculators. Economics end where a search for the nation's enemies begins. With an approach like that, we may lose even the few remaining investors."

"Critical But Not Hopeless"

Yelena Gosteva and Igor Moiseyev pointed out on page one of reformist *Segodnya* (5/28): "While the situation regarding the financial market is critical, it is quite controllable and not hopeless."

GERMANY: "The Czar Should Have Known"

X' hp x (#
X' hp x (#Manfred Quiring noted in rightofcenter *Die Welt* of Berlin (6/4): "Russia is in danger. If the ruble is devalued, the entire unstable (economic and political) balance in the country would collapse. Yeltsin's team knows that at Russia will be unable to cope with another monetary, and a closely linked, price disaster as it happened at the beginning of the 90s. The soil has already been prepared for organized resistance, and the recent strike of the miners is a good example. As long as the currency remains stable, the current leadership will also be in a stable position. But if the ruble and thus the prices plunge, the chances for the Kremlin team to safeguard the continuation of power with its own candidate at the presidential elections in 2000 would be over.

"And nobody can guarantee that the Russian voter, in an atmosphere of uncertainty and frustration, would vote for a democratic candidate. A 'savior of the nation' a la Zhirinovsky would possibly be listened to. In Russia, with its f

fragile democratic traditions, not too much is necessary to
raise calls for a 'strong man' who, in a wise and fair, but inexorable way
restores law and order
....

"The Undersecretary of the Treasury, Lawrence Summers, said that 'one of the
real dangers with which Russia is now faced is the same kind of corporate
capitalism which has made its contribution to the outbreak of the financial
crisis in Asia.' If we follow this logic, one thing becomes clear:
President Yeltsin is courting those forces which are coresponsible for the
bungledup situation in the country. And by politically upgrading them, he
has now laid the foundation for a repetition of the Russian crisis which has
not yet been resolved."

"The Russian Crisis"

Jens Hartmann wrote in rightofcenter Die Welt of Berlin (5/29): "The
moment of truth is now. The finance ministry must pay government bonds for
over 80 billion marks in the next few months an almost indissoluble
task.... The confidence of the investors, as can be seen at the stock
market, is shattered. A devaluation of the ruble would not only cost Russia
its international credibility, but would also clear the way for inflation.
The West should be interested that the Kremlin does...not have to sacrifice
the ruble. A financial crisis could quickly turn into a government crisis."

"The Asian Fever Has Reached Russia"

Centrist Der Tagesspiegel of Berlin observed (5/29): "Only five months ago
Moscow proudly took down three zeros of the ruble.... This success is now
in danger.... Asia and the dropoff in oil prices set off a development
which could not have been stopped by the best Moscow finance experts. Again
help from the outside will be needed. The IMF, which in the case of Russia
violated its own principles repeatedly, will help this time as well. The
IMF will intervene

to contain infection of the Eastern European countries.
If Russia were left
alone with its problems, it would endanger the stock
markets in Eastern Europe
."

BRITAIN: "Markets In Russia Rally After 'AntiCrisis' Offensive"

The independent Financial Times reported from Moscow (6/3): "Russia's
rollerco
aster financial markets took a turn for the better yesterday as
investors warme
d to the government's newfound commitment to bring its public
finances under co
ntrol.... President Yeltsin yesterday consulted with ten
senior Russian busine
ssmen and bankers about the country's financial problems
and promised to weave
their proposals into an anticrisis' program he would
deliver at a Kremlin confe
rence June 30."

"Russian Financial Turmoil Poses Dilemma For IMF"

Independent Financial Times commented (6/1): "President Clinton's
announcemen
t yesterday that he would support extra funding for Russia from
international l
ending agencies was clearly aimed at bolstering confidence in
Russia's nervous
financial markets. Yet while the statement may well be
helpful, the financial
markets may demand more evidence of the importance of
the commitment....

"Russia poses an intense dilemma for the IMF. On the one hand, a financial
bre
akdown in Russia could emphasize how much it is needed in the new world
economy
c order of rapid and volatile international capital flows.... The
fund was als
o arguing that the crisis package announced by the Russian
government last week
was sound and that there were no grounds for a
devaluation of the ruble, or fo
r continued instability in Russian financial
markets.

"Part of the fund's concern may be that the promise of a bailout may well
dissi
pate a sense of urgency generated by the turmoil, and that the Russian
governme
nt would revert to its pattern of the past two years, when it has
promised fisc

al reforms but been slow in achieving them."

"Rot Under The Ruble"

The conservative Times commented (5/29): "Russia's determination to defend the ruble is not in doubt. Nor is the determination of America, Germany and the IMF to help it to do so. For all parties, a stable ruble makes political as well as financial sense.... But there should be tough conditions attached to any rope thrown Moscow's way.... Over the past six years, Russia has done much to dismantle the command economy, privatizing and liberalizing trade; but little to convert an unprofessional and corrupt bureaucracy into a just, effective public sector capable of providing core services, enforcing antimonopoly laws and fighting crime. President Yeltsin is seen, with some reason, as too close to the rich financial and industrial carpetbaggers who thrive on a dysfunctional state. As an emerging market, Russia is inescapably vulnerable to Asian flu; a speedy course of inoculation is urgent."

"Russia's Turn For A Bout Of Asian Flu"

BBC Radio's World Service said (5/28): "Devaluation now, followed by inflation and more loss of investor confidence, would plunge Russia into political as well as financial turmoil.... Investor confidence in emerging markets has rarely been so low, and dealers in Moscow believe it is Russia's turn for a bout of Asian flu.... Can Yeltsin and Kiriyenko save the day?"

"Russia's Need To Commit To Real Reform"

The independent Financial Times had this lead editorial (5/28): "Whether Russia survives this crisis depends on whether Boris Yeltsin can accept his role in bringing it about and credibly commit to real reform.... Mr. Yeltsin must now show strong leadership. First, he must avoid the temptation to use Sergei Kiriyenko... as a scapegoat. Second, he must accept that the public finances are at the heart of this crisis. Asian contagion is no longer

a factor.... With the support of world leaders, the IMF could use this crisis as an opportunity to impose stricter conditionality on Russia and to demand greater involvement in its attempts to reform its public finances. Mr. Yeltsin must swallow this medicine if he hopes to escape the crisis without lasting damage."

"Great Powers Need To Take Action"

The lead editorial in the conservative Daily Telegraph stressed (5/28): "The Russian crisis is the first clear case of Asian contagion in a major European country.... There is now a serious danger that the Yeltsin administration will be forced to devalue the ruble in the coming days or weeks unless there is a major intervention by the rest of the world. It is not clear where the money will come from. The IMF is already running out of capital, drained by its rescue packages in the Far East, and Japan is prostrate. The task will fall to the American and European governments, which are not falling over themselves to lend a hand.... The great powers need to take action to preserve the international financial system. Helping Russia would be a good place to start."

FRANCE: "Kiriienko: A Man In A Hurry"

Veronique Soule maintained in left-of-center Liberation (6/3): "Kiriienko, the new Russian prime minister, possesses a quality which is precious in a nation where power and money are closely tied together. His independence from financial groups is essential.... But that independence is also synonymous with weakness. Kiriienko stands isolated.... Therefore, the West wonders whether Kiriienko has the means to implement his reforms...."

"While his emergency measures have been approved by international institutions, Kiriienko may be facing a deadlock from the Duma...once he tries to get approval for several indispensable financial reforms.... This is the last chance

for the Russian economy to take off and to guarantee the
'election' of Yeltsin
's successor.' Otherwise, public discontent could help
bring a man like Lebed
to power. Kiriyeenko is Yeltsin's last trump card."

"Fragile Russia"

Leftofcenter Le Monde observed in its editorial (6/3): "Whatever the
causes,
the turmoil that shook Russia's economy last week proves to what
extent that e
conomy still lacks maturity.... Will the IMF's decision to
grant \$670 million
be enough to restore the confidence of investors? No one
wants a crash in Russ
ia, but many believe that the remedy may be worse than
the disease. It is very
well to help support the ruble, but everyone knows
that while Russia is extrem
ely rich, in theory, its economy is stagnating and
its debt has increased enorm
ously.... Russia still doesn't know what kind
of market economy it needs. Ne
ither does it know how to put an end to a form
of corrupt capitalism which for
the moment seems to profit only very few
'robber barons.'"

X' hp x (# "Threats"

X' hp x (#

Centrist La Tribune stated (5/28): "The falling ruble is threatening an
overe
xtended Russia with a major economic crisis, while the yen's continued
deprecia
tion threatens Hong Kong."

ITALY: "Crisis, It's Russia's Turn"

An editorial in provocative, classical liberal Il Foglio (5/28) opined: "It
is
increasingly evident how difficult it is to move to a free market and to
democ
racy after 70 years of communism, and how old international institutions
are in
adequate to deal with a crisis of this kind."

X' hp x (# CANADA: "Russia Has To Practice Sound Governance Before Preaching"

Columnist and Hudson Institute fellow, MarieJosee Kravis, commented in the
bu
sinnessoriented Financial Post (6/3): "Three weeks ago, Russian President
Bori
s Yeltsin was fraternizing in Birmingham, England, with the leaders of

the sev
en leading industrialized nations, worrying about the outcome of
Asia's financ
ial crisis. Last week he had a financial panic of his own....
The real irony i
s [that]...Russia was a signatory to the G8 summit
communiqué that admonished
Asian and other emerging countries to adopt
policies conducive to macroeconomy
c stability, transparency, disclosure and
rule of law. Talk about the pot calling
the kettle black.... It is clear
IMF support is critical for Russia. A
further deterioration in its
financial affairs followed by a devaluation of t
he ruble would bankrupt the
country's entire financial sector.... Yet that sup
port cannot be predicated
only on the condition Russia that continue to slash s
pending and collect
taxes. The issue of Russia's weak institutions, corrupt p
ractices and
unpredictable leadership cannot be conveniently overlooked. It i
s time
Russia be held accountable for what it preaches and what it signs."

X' hp x (# HUNGARY: "Russian Government Needs Biggest Possible Capital Injecti
on"

Conservative Napi Magyarorszag carried an by Laszlo Daroczi (6/4): "There
are
various different theories of what made the Russian stock market and the
ruble
collapse. Some analysts think that it was not the direct consequence
of the I
ndonesian crisis or the Russian cabinet reshuffling. They opine that
the Russia
n Duma sparked it by passing a law that limited foreign ownership
of the bigge
st Russian electricity giant to 25 percent. But it would be a
mistake to blame
it all on the opposition members of the Russian cabinet,
even if their motiva
tion in fighting back for the forced appointment of
Kiriyeenko is kind of obviou
s.

"The Russian government is now obviously needing the biggest, and the
soonest,
possible capital injection in order it could pay back its internal
debts. And
it is more than urgent for Moscow to tackle the burning issues
since each misse

d chance weakens the position of Boris Yeltsin, to be reelected against the other key figure, Alexander Lebed, who has entered the political arena again."

X hp x (# "Fear Of Ruble Collapse"

Leading politicalbusiness daily Vilagazdasag asserted (5/29): "Ten years ago, no one would have believed that the situation of the Russian ruble could become a major issue for leading international investment funds. If leading international powers fail to provide prompt financial assistance to Moscow, it is feared that the Russian national currency will suffer its biggest ever collapse, which might induce a deeper crises that hit Mexico and South East Asia earlier.

It is difficult to say why the panic has broken out exactly now, but whatever the case is, the question is what the best way is to tackle the problem. The Russian central bank has professionally been handling the crisis up till now (except for the remark of bank governor Dubinin saying that he would 'spit those into the eyes of those who spoke about devaluation). But high interest rates can't be kept forever because such a policy could have an impact on the costs of the economy and of the state budget. The International Monetary Fund, that granted the bailout packages relatively quickly in the case of Mexico and Southeast Asia, is, surprisingly, not taking any special steps now. It backs Kiriyenko in his efforts and the stability of the ruble in words, but speaks only about freeing an additional part of the running \$10 billion program for Russia. But there is more at stake here and now. It might quite easily be the case that president Yeltsin is going to be buried underneath the ruins of exactly what he had established: the market economy."

X hp x (# SPAIN: "Markets Lack Confidence In Kiriyenko"

Liberal El Pais noted (6/3): "The shockwaves caused by the Asian crisis have reached another developing economy, Russia's, converting its troubles into a severe

rious new problem for the global economy. There are many reasons why this has come to pass, although one stands out: lack of confidence by the markets in the new prime minister, Sergei Kiriyenko, who was nominated by Yeltsin in order to demonstrate that there is only one czar, himself. This mistrust has caused the Russian ruble and its stock market to fall time and again, despite the measures announced by the government to prop them up, and has even obliged Clinton to step in with promises of more loans.... In Russia as well as in Asia, economic reforms need to go hand in hand with the expansion and consolidation of democracy so that consideration is given not only to those who have been successful and become wealthy under the capitalist revolution and who, instead of helping out in the crisis, have sent their money out of the country but also to the millions of Russians who are no longer disposed to suffer in silence."

X hp x (#

"Russia On The Ropes"

X hp x (#

Independent El Mundo noted (6/1): "With an external debt of \$200 billion...and its productive sectors verging on collapse, Russia is still far from being a viable, stable, industrialized democracy. Russia needs three things: fiscal reform with fewer expenditures and better tax collection...the establishment of an effective rule of law and serious security measures...and, finally, the reforms needed for the creation of a true middle class. When a university professor is paid on the order of \$85/month and dinner in a Moscow restaurant costs about \$100/person, what is being witnessed is a society in shreds with privileges for a few from the nomenklatura of yesterday to the mafiosi and nouveaux riches of today and an overwhelming majority who possess virtually nothing."

"Asian Crisis Growing More Acute"

Independent El Mundo noted (5/28): "Far from dying down, the Asian financial

crisis seems to be growing more acute. Wall Street and the European markets experienced sharp drops yesterday in the face of rumors of the collapse of the Japanese banking system and signs of political instability in the region.... Nothing would indicate that a crash of the sort experienced in 1987 is imminent, but a certain adjustment appears possible. What happened yesterday was an advance warning."

Xinhua (#)
EAST ASIA

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Xinhua (#)
Huang Bingjun commented in the official Chinese Youth Daily (Zhongguo Qingnianbao, 6/4): "Western media widely believe that the May 27 financial turmoil has pushed Russian financial markets to the verge of collapse... However, the Russian government's measures to stabilize the ruble exchange rate and the economic situation really worked. It is the first time that the U.S. president publicly expressed the willingness to provide financial aid to Russia. Obviously, Clinton wants to bring a positive message to investors."

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salaries. But the question is: for how long?... The Russian political
agenda has changed since the Soviet Union's dissolution.... From a
superpower controlling international conflicts it became a diminished big power
suffering multiple rebellions seeking independence. Therefore, its priority
changed: from improving relations with the West to reestablishing relations
with the new countries of former Soviet Union.... Soviet disintegration
brought a loss of oil resources....

"Russia knows that its Asian influence depends on keeping good relations
with the oil giants of the region.... Nevertheless, today Russia depends on
loans from financial institutions....

"But the remaining loans will depend not only on the special attention of
social problems...but also on the reduction of the fiscal deficit, which
means a policy of adjustments. The difficult task of cutting expenses
without affecting salaries will be the colossal task to be done by Yeltsin if
he expects to be re-elected in 2000."

X hp x (#

"From Russia, Without Love"

X hp x (#

Miguel Bein wrote in leading Clarin (5/28): "The characteristic of future
markets is volatility. For a long period of time, we will have to live with

nervous markets. Today is Russia, tomorrow it may be China. The monetary authority in Russia had to raise daily interest rates 150 percent annually to avoid a devaluation. If markets force Russia to devalue, the ruble may jump from 6.2 rubles per dollar to 15 rubles per dollar, triggering hyperinflation Indonesia style. Most likely, the German government Russia's main creditor and exporter of goods will come to the rescue. For the international community, destabilizing Russia is not equal to destabilizing Thailand or the Philippines."

BRAZIL: "Russian Roller Coasters"

Liberal Folha de Sao Paulo (6/3) said: that "The 10 percent drop in the Moscow stock market on Monday, and yesterday's high of 12 percent shows that the immediate change in mood is due to the news that the G7 members would be preparing an economic package to help the country. The support of the great powers seems to be necessary not only to avoid new complications in the affected countries, but also to reduce the risk of greater turbulence from reaching the more developed nations.

"Russia is very important. Its financial and stock markets don't have international weight, but from a geopolitical and military standpoint, any disturbance that would threaten the nation's stability, would be a cause for worry for the whole world. It's another reason for the United States and Europe to contain the crisis in the emerging markets.

"Now we have to wait for the G7's measures to take effect, confirming the relief that prevailed in today's markets. The alternative to the creation of a support network to countries in difficulties could serve to spread uncertainty, which would cost the great global economic powers much more, and eventually bring confusion to countries like Brazil."

X hp x (#

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TEXT:

Observers in Europe, Asia and Latin America viewed with increasing alarm the "bad" economic situation in Russia. Amidst swirling rumors--among them that Russian President Yeltsin had died--and following a week that saw Russia's stocks, bonds and currency take a pounding, analysts expressed concern that the Yeltsin government's recently announced anti-financial crisis measures and its efforts over the last few days to secure an aid package with the IMF would not be enough to avert a "catastrophe." Pundits in Russia and Germany held that President Clinton's decision to accept an invitation to attend a superpower summit in Moscow in September was influenced in part by his concern about Russia's economic crisis.

Following are salient themes in the commentary:

ANTI-CRISIS MEASURES: A majority of media voices criticized the Kremlin's initiatives--which include a tax system overhaul and budget-cutting--holding that they are only short-term solutions and not the long-term remedies that are necessary to put the nation back on track

economically. But several gave credit to Mr. Yeltsin and his officers for boldly addressing the situation, and, as London's conservative Times said, not bowing to "any populist temptation to blame international markets." Russian media reflected a wide variety of opinion, ranging from communist Pravda-Five's criticism that the anti-crisis program is "more like an instruction on fire-fighting through the use of fuel and combustibles," to reformist Russkiy Telegraf's admission that the government had "no choice" but to implement its severe budget stabilization program.

DOMESTIC AND INTERNATIONAL IMPLICATIONS: Opinion-makers foresaw a deepening political crisis between the Kremlin and opposition forces in the Duma. Noting that the parliament must still approve a number of the more important economic reforms, as well as any agreement made with the IMF, commentators warned that the Communist Party members in the Duma would continue to stonewall on the measures and probably reap the benefits from a Yeltsin government that appears to be stumbling. In light of its dire economic straits, a number of editorialists raised questions about Russia's status in the new world order, wondering if it fit the criteria for a "superpower" anymore. "Russia obviously has difficulties bidding farewell to this role.... In the coming century, nuclear forces are supposed to remain Moscow's basis of power. But in the long run, a thriving economy and a stable ruble would be a better basis," asserted Berlin's right-of-center Die Welt.

AMERICA NOT HELPING? A few pundits focused on the role of the U.S., criticizing the superpower for not being more "helpful." Noting that the U.S. is a central force behind the IMF, Moscow's centrist Nezavisimaya Gazeta had this most jaundiced view: "The Americans, far from trying to help, are out to sink her. Aware that Russia has nothing except her oil

and gas resources, the U.S. wants to deprive her of that last economic prop. Succeeding in that would be a blow to Russia's integrity." London's conservative Times also berated Washington, admonishing the U.S. Congress for refusing to pay "America's share of the IMF replenishment.... Mr. Clinton needs to tackle the opposition in Congress with...resolve." This survey is based on 46 reports from 9 countries, June 20-July 9. EDITOR: Diana McCaffrey

EUROPE

RUSSIA: "Economic Policy Crisis"

Aleksei Ulyukayev held in reformist Segodnya (7/9): "Russia's current fiscal problems stem not so much from the wretched state of its economy as from a crisis of its economic policy. Investment risks in Russia are due to the government's inability to finance budget expenditures from revenues, which increases the federal debt, the price of its servicing and interest spending, and makes further drawing necessary. To win investors' confidence, we need a consistent and tough budget policy. The government must stop using money from financial markets to finance the budget deficit."

"U.S. Loses Interest In Russia"

Reformist Izvestiya (7/8) ran a report by Konstantin Eggert: "Bill Clinton's recent visit to China lasted nine days. His trip to Russia in

September will be no longer than two to three days. On the U.S. scale of political priorities, Moscow is clearly not tops. The Americans are increasingly disappointed with Russia and its political elite, convinced that building relations with Moscow on a long-term basis is an unrewarding business. An incoherent economic policy, social tension, crime and unstable government are all features of Russian reality and do not help serious contacts. Compared to central Europe and even Communist China, Russia looks like a country unsure of where it is going. The lack of a political will among those behind the throne gives no confidence in this country's future.... For all its differences with Moscow, Washington wants Russian reform to continue."

"Adding Fuel To Fire"

Viktor Pritula remarked on page one of neo-communist Pravda-Five (7/8):

"The anti-crisis program is more like an instruction on fire-fighting through the use of fuel and combustibles. It does not give confidence in the government's ability to control the situation."

"Choosing Between Boris And START"

Nikolai Zimin filed from Washington for reformist Segodnya (7/8): "Russia's economic crisis is apparently why Bill Clinton has after all decided to come to Moscow. The Russo-American summit, just as a chance to get a big credit from the IMF, may be proof that the West is serious about the Russian government's frantic attempts to get out of the financial deadlock."

"Clinton Does The Right Thing"

Vladimir Abarinov remarked in reformist Russkiy Telegraf (7/8): "Clinton has done the right thing by deciding to come over. After all, he did go to China which is giving America no fewer headaches than Russia. The atmosphere at the summit is a special topic. It is extremely unfavorable, I must admit, with the president himself publicly urging his diplomats not to submit to the Americans."

"Turning Point?"

Yury Nevezhin and Denis Kirillov said in the "Finansoviye Izvestiya" supplement to reformist Izvestiya (7/7): "Sergei Kiriyeenko's political demarche [vis-a-vis Gazprom] will stay in the history of this government as a turning point. Hopefully, it will bring political stability and make this cabinet more credible, rather than tough and aggressive.... Encouragement from Michel Camdessus, made in public, has so far been the only positive reaction."

"Yeltsin Is Not A Player"

Andrei Denisov held in reformist weekly Moskovskiye Novosti (# 26, 7/7): "The fight (against Gazprom), the first serious fortitude test for the government, has shown that it lacks in fortitude and that the key player on the executive power side, the president, is not a player, but still a

referee. That makes one wonder about the new cabinet and its role."

"Attack On Gazprom Makes No Sense"

Otto Latsis commented in reformist *Noviye Izvestiya* (7/4) on the government's latest attack on Russia's leading monopoly Gazprom: "In the IMF's eyes, it must have looked helpless and senseless, although the intention was to demonstrate the government's force. Worst of all, assuming that the current financial crisis, in effect, is a credibility crisis, the government's credibility has suffered the most. The cabinet was only beginning to appear like a team of hardcore professionals when, all of a sudden, it looked like a bunch of dilettantes unsure of themselves. But that the government is wrong does not mean that Gazprom is absolutely right.... The years when we tried to cheat on ourselves and avoid reducing spending and putting our taxation policy in order have only added to our social problems in this transition period. To adopt and, more importantly, implement an anti-crisis program, we need a firm government and great consolidation of all political forces. Unfortunately, we lack both, as shown by the Gazprom row."

"Punitive Actions Fail"

Andrei Serov stated on page one of reformist *Russkiy Telegraf* (7/4): "Much has been said about tough measures that are being effectively applied to those who refuse to pay taxes. But those punitive actions have not brought a single ruble to the state budget. Instead, they have brought losses in the form of the British Shell company having given up its plans to take part in the Rosneft auction as Gazprom's partner."

"It's All Intrigues And Selfishness"

Vitaly Gan concluded on page one of neo-communist Pravda-Five (7/4): "The Gazprom story is a classic example of selfish time-serving considerations and intrigues in the establishment having upstaged Russia's true interests."

"This Is no Way to Treat Major Companies"

Official government Rossiyskaya Gazeta (7/4) published this comment by Aleksandr Velichenkov, Anna Kozyreva and Vladimir Kucherenko: "This is no way to treat major companies. Rows like that play into the hands of Gazprom's rivals, including the Americans who have been trying hard to get us out of Iran, cutting Russia off from lucrative markets in Pakistan, India and China."

"The IMF In A Trap Similar To Russia's"

Boris Kagarlitsky held in centrist Nezavisimaya Gazeta (7/4): "The IMF's current problems are precisely why it will give Russia the money. It simply cannot help giving it. The Fund is in a trap similar to Russia's--it is a hostage to decisions already made, a hostage to the economic model of neo-liberal capitalism. Things might have been different, had neo-liberal reform not been so sweeping and had this country not been turned into a periphery of the global system. Alas, we have an impotent state and impotent lumpen-bourgeoisie capable only of exploiting

our natural resources and serving Western financial interests."

"Yeltsin's New Deal"

Svetlana Babayeva, Vera Kuznetsova and Dmitry Dokuchayev remarked on page one of reformist Izvestiya (6/24), reporting about President Yeltsin's new anti-crisis program: "The Kremlin and the government will have to rack their brains over how to secure the Duma's cooperation in implementing the new policy."

"Protracted Depression Possible"

Boris Pozdnyakov stated on page one of reformist Russkiy Telegraf (6/30):

"The budget stabilization policy (obviously, important and necessary) may have indirect but nonetheless painful consequences. Stagnation may give way to protracted depression with all its nasty attributes like ruined banks and enterprises, mass-scale unemployment, a disintegrating financial system, and the loss of a competitive market. Even worse, it may entail social and political troubles. The government, of course, is aware of the risks involved in budget stabilization. But it has no choice. Ruble stability and short-term obligations are now more important than long-term economic prospects."

"Kremlin Snubs Duma"

Vasily Safronchuk said on page one of nationalist opposition Sovetskaya Rossiya (6/30): "The economic and financial stabilization program was

developed in participation with oligarchs and takes a 'parallel' government, a council for economic cooperation, to implement. The Duma was not involved, the Kremlin having decided it could do without it. One can hardly imagine a worse instance of a government ignoring parliament."

"Flaying People Soviet Style"

Aleksei Borisov said in reformist, youth-oriented Moskovskiy Komsomolets (6/27): "If crushing the banking system, the standard of living and the real economy via taxes is an anti-crisis, the government is surely in a (medical) crisis. We need real and firm rules and we need to know the time during which unpopular but necessary measures are to be carried out. We also need a pro-investment taxation policy with a clear incentive for everyone to work more and take the income to a bank. We do not have all that. Instead, we are being flayed Soviet style."

"Price Of Integration"

Aleksei Makushkin concluded in reformist Noviy Izvestiya (6/26): "The problems we run into, following the road of reform, are the price we have to pay for integration into the outside world."

"Program Made To Order"

Maria Bogatykh said on page one of reformist Segodnya (6/24): "It looks as if this program was made to order, the special design taking into account the unique proportions of Mother Russia's figure. With a skilled cutter, you may be lucky to end up with a good dress. Sergei Kiriyenko is a great manipulator, and this country's politics prevail over its economics,

therefore you only see what you need to see so that the program does not fall victim to political games and you find it hard to make forecasts. You only have to follow changes as they come."

"Strong Russia Unwelcome In World"

Yury Maslyukov, chairman of the Duma's economic policy committee, stated in neo-communist Pravda-Five (6/23): "The longer we delay a crash, the worse its consequences will be. We must act differently, taking into account what happened and what is going to happen.

"We need a new program. Whatever has been suggested to date is merely patching up holes and trying to keep afloat a bit longer. We must be quite clear that the measures that really need to be taken are unpopular and very hard. It is important also that we define our objectives--continuing to use Russia as a source of personal enrichment or trying to revive it. The latter is sure to be opposed by our creditors abroad and at home. A strong, competitive and independent Russia is unwelcome in this world."

"There's No Easy Choice"

Lyudmila Telen said in reformist Moskovskiye Novosti (# 24, 6/23): "Ruble devaluation would be the end of all--the robust president, the flabby government, the compliant opposition, and corrupt governors. This only means that we need new people to carry out a new policy, people with trust and will. As for the economy, our previous leaders have not left us an easy choice, and nobody is certain that new ones will be able to carry on

market-economy and democratic reforms. One thing is clear--it is naive to expect anything good from those who will sacrifice democracy to a market economy. There are many people like that. But their approach has nothing to do with a market economy."

"U.S. Out To Sink Russia"

Tatyana Koshkareva and Rustam Narzikulov held on page one of centrist Nezavisimaya Gazeta (6/20): "As if an economic disaster is not enough, there is a danger to Russia's integrity as a state. The impotent government is a great risk to her sovereignty, regardless of the way the financial crisis may be solved. The IMF only agrees to offer money on its own stringent terms. They are suicidal to Russia. But, without that money, she is on the brink of default. The Americans, far from trying to help, are out to sink her. Aware that Russia has nothing except her oil and gas resources, the United States wants to deprive her of that last economic prop. Succeeding in that would be a blow to Russia's integrity."

"Crisis Dates Back to Gorbachev Days"

Anatoly Tille opined in nationalist opposition Sovetskaya Rossiya (6/20): "This crisis did not start last May or in 1994. It dates back to the Gorbachev days and the Gaidar (American) reform. The system crashed last May. It is mortally sick. There is nothing for it ahead. Only chaos. Unfortunately, there is no force in Russia today which would be able to rally the masses."

BRITAIN: "Russia And Friends"

The conservative Times said (6/25): "Capriciously as Boris Yeltsin has often seemed to change teams, he has held to the overall goal of reform. His grave analysis of Russia's plight admirably eschewed any populist temptation to blame international markets.... Mr. Yeltsin insists that the Duma must pass all the necessary legislation by July 13, when it breaks for the long summer recess. Otherwise, he hinted that he will resort to decrees. He may well have to make good that threat. If he does, Russia's friends should show understanding. While the West awaits proof of the latest Russian pudding, it should repair a gap in the world's international financial defenses. Because the American Congress refuses to pay America's share of the IMF replenishment, the \$15 billion Russia wants would devour all the hard currency the IMF has left, leaving nothing for emergencies elsewhere. Mr. Yeltsin has faced up to the Duma this week; Mr. Clinton needs to tackle the opposition in Congress with equal resolve."

GERMANY: "Summits Aren't What They Used To Be"

Manfred Quiring opined in an editorial in right-of-center Die Welt of Berlin (7/8): "Bill Clinton will go to Moscow. 'Finally,' the Kremlin will certainly say since the last Russian-American summit meeting took place more than a year ago.

"In Moscow, Russian-American summits are still considered something they no longer are: meetings of the two great leaders of global politics.... But the times of confrontation are fortunately over. This is also true for Russia's role as a superpower. But Russia obviously has difficulties

bidding farewell to this role.... In the coming century, nuclear forces are supposed to remain Moscow's basis of power. But in the long run, a thriving economy and a stable ruble would be a better basis."

"Put A Bottom In The Russian Pit"

Right-of-center Fraenkischer Tag of Bamberg (7/8) opined: "Kiriyenko will remain a beggar in a pin-striped suit if his government does not quickly change the economic policy framework conditions in the country. He must enable Russia to translate the enormous economic potential into social progress. It is necessary not only to set up anti-crisis programs but also to implement them. Under pressure from the leading politicians of the Western world, the IMF is still willing--as often before--to throw again billions into a bottomless pit. It is questionable whether these new grants will be well-invested and can stabilize Russia. Only one thing is sure: They will help support the power of Russia's President Yeltsin on a temporary basis. But nobody wants to speak about for how long this political pomp in the Kremlin will continue to be feasible will tick, for the vision of a Russia without the alibi democrat Yeltsin is interpreted like a horror scenario. Unlike his predecessor, Kiriyenko should not only point out that the Russian pit is empty, but he must also put in a bottom. And Yeltsin must not only encourage him to do so, but he must also put the hammer into Kiriyenko's hand."

"Kiriyenko Painting Gloomy Picture"

Centrist Stuttgarter Zeitung (7/6) noted: "Russia's Premier Kiriyenko is the focus of interest. His appearance over the past two days in the Duma

made clear the seriousness of the Russian state budget situation. The young premier painted a gloomy picture of the economic situation of the country to the parliamentarians. With brutal frankness he pointed to the weak spots of earlier reform plans and confronted the Duma with a radical emergency plan. This had no resemblance with the self-righteous moves of Yeltsin in the past years. After this speech, even the die-hard opposition parties of the nationalists and communists understood that the crisis must be tackled."

"Yeltsin Responsible"

Right-of-center Maerkische Oderzeitung of Frankfurt on the Oder held (7/6):

"In March, Yeltsin fired the government of Premier Chernomyrdin and, after a lengthy bickering with the Duma, made Kiriyenko the premier of the country. However, if this young politician fails, Yeltsin will be faced with some dangerous problems. The president who has so far applied a hire-and-fire principle, will then have no other choice but to concede his own bankruptcy. The Russian president is the one politically responsible for Russia's decline. He allowed every second ruble to be earned in the shadow economy, and large companies such as Gazprom invest their profits abroad instead of paying their taxes on time. Yeltsin signed several decrees, but did not improve the situation itself. In light of this, it seems grotesque that Yeltsin is disseminating rumors about a new presidential candidacy in the year 2000."

"Bad Situation In Russia"

Centrist Badische Zeitung of Freiburg noted (6/24): "The hectic activities in Moscow reveal how bad the financial situation in Russia is. The Russians will now be faced with tough and austere times. Without foreign assistance, President Yeltsin and his new premier would be sucked into a maelstrom of the state's bankruptcy. This would mean not only a lack of funds, but also the disintegration of the state's social order. It is in the best interest of Western donors and the majority of political parties in the country itself to prevent this.

"The reaction of the Duma to this savings package also demonstrated this. The only party to stonewall the package was the Communist Party. Are they still hoping to get rid of the current system?"

"No Improvement In Sight"

Right-of-center Fuldaer Zeitung held (6/24): "From whatever the Russian government's viewpoint, on a short-term basis, an improvement of the situation is not in sight. These are bad omens for the next elections, since the longing of the people for a state that can support them in bad times is getting greater. Strong men such as ex-general Alexander Lebed and the communists, who want to turn back the clock, will benefit from such a situation. For the rest of the world, however, both variations are terrible to imagine."

"Not An Easy Task"

Right-of-center Thueringer Allgemeine of Erfurt (6/24) had this to say:

"We must fear that the anti-crisis program which was announced with so much pomp will end up as all previous reforms that simply drifted away."

"Government Should Stimulate Economy"

Right-of-center Badische Neueste Nachrichten of Karlsruhe and right-of-center Schwaebische Zeitung of Leutkirch (6/24) held: "Instead of punishing initiatives with horrendous taxes and alienating foreign investors, the government should stimulate the economy. And it should strictly watch the activities of fraudulent banks, since they are stymying action with their intransparent 'baksheesh' system. In its history, Russia is now experiencing real freedom. There are, for the first time, signs of democracy and implementation of the rule of law. These values must be further developed. But we do not hear anything about this in the speeches of the president. It is counter-productive to threaten the Duma with its dissolution now. Instead, Yeltsin should try to win lawmakers' support for the reform plans of the young government."

"Misery Will Continue As Long As Money Is Not Invested For Creation Of Jobs"

P. Bock commented on regional radio station Radio Kultur of Berlin (6/24):

"The whole anti-crisis program only serves to impress the IMF. But the economic and social misery in Russia will not change as long as money is not invested for the creation of new jobs. The necessary confidence in the safety of these investments, however, does not exist. This is true both for Russians and foreigners. A great part of the Russian population

has no longer any trust in the politicians. The people are only trying to survive."

"Right Direction"

Birgit Marschall noted in an editorial in left-of-center Berliner Zeitung (6/23), "The program which Premier Kiriyenko has now presented to address the crisis is going in the right direction. In order to increase tax revenue, the state must reduce its spending. Stricter controls on tax evaders, however, will result in on a negligible increase in tax revenues. The Russian finance authorities simply do not have the means to counter the tricks of tax evaders."

FRANCE: "The Battle Of The Ruble"

Laure Mandeville commented in right-of-center Le Figaro (6/24): "The urgency with which Anatoli Chubais has been called back to negotiate with the IMF leaves one skeptical. Is the Russian government so weak that it needs to call upon one of its former key men in order to be heard?... In spite of their 'strategic plan,' Boris Yeltsin and his government look more like firefighters dealing with an emergency than strategists with a long-term plan."

BELGIUM: "Kiriyenko Is Right: 'Fantastic Political Courage' Is Necessary"

Pol Mathil wrote in independent Le Soir (6/24): "In Russia, there is no alternative. The Yeltsin-Kiriyenko program can cause a catastrophe. But (such a catastrophe) is avoidable. However, if such a program did not

exist or were to fail, the catastrophe would be certain. In the absence of reform, Russia would be confronted with a dramatic future. Either a period of 'smuta,' of national apathy, or anarchy. In both cases, the longing for a strong man would surface.... With real 'smuta' or real anarchy, the most backward forces could take over.... Kiriyeenko is not mistaken. A crisis of state is threatening Russia and, in order to implement his rescue plan, 'fantastic political courage' is necessary. Not only political."

HUNGARY: "Dangerous Beautiful Lady"

Second-largest circulation Nepszava asked (7/8): "Is it only an old time routine that the recently announced meeting of Clinton and Yeltsin is called a summit? Summits are normally held for leaders of superpowers, but can Russia still be called one? It is obvious that the international influence of the current lord of the Kremlin does not compare to that of former Soviet first secretaries, one would, therefore, expect that the U.S. president is going to have an easy task. But it is clearly not the case. It is as difficult to run talks with a 'declining' superpower as to go on meditating on the passing of time with a beautiful lady. The main thing is to avoid offending them or making them remember the contrasts of the glorious past and the bitter today. Clinton and Yeltsin, nevertheless, have important issues on the agenda to discuss: Kosovo, NATO or Southeast Asian nuclear weapons. The U.S. president, however, has to be quite careful. The beautiful lady is maybe not her former self, but could be more dangerous than ever before."

NORWAY: "Clinton And The Russians"

Conservative Aftenposten commented (7/8): "When an American head of state has paid a visit to China, he must also go to the Kremlin. The balance of power in the United States' relationship with Beijing and Moscow has shifted considerably since the 1970s. The Americans cannot, however, embrace one and neglect the other. There needs to be a balance. It was no longer acceptable for Clinton to continually repeat that a summit in Moscow was out of the question until after the Russian Duma had demonstrated intent to ratify the last part of SALT II.... Clinton is forced to go. However, the Americans would be negligent if they--behind diplomacy, polite language and negotiations--didn't start looking into who, and which policies, Yeltsin will be replaced by."

SPAIN: "Explosive Situation"

Liberal El Pais opined (7/3): "Only the shared conviction that collapse is imminent will make way for the emergency plan presented to a hostile parliament by the Russian prime minister.... Moscow is trapped in an explosive situation--its most visible signs are strikes and millions of unpaid workers--and at the same time, it is faced with the demands of the IMF, which will only come up with more money if the government cuts expenses.... The magnitude of the crisis gives one the shivers. The price of oil, the major source of government revenue together with natural gas, has dropped 40 percent this year; a third of the budget is earmarked to service \$200 billion in debts; the stock market has fallen 50 percent since January; and companies' tax arrearages are estimated at about \$160 billion. Kiriyyenko has warned the Duma that the situation is not apt for political rhetoric and that the battery of bills he has submitted needs to

be passed in order to avoid a collapse."

EAST ASIA

SOUTH KOREA: "Summit In Moscow"

Conservative Segye Ilbo pointed out (7/8): "President Clinton will visit Moscow in September to hold a summit with President Yeltsin.... In its announcement of the planned presidential visit, Washington insisted that the visit and the START II agreement are not directly linked.... While the top issue of the summit will be the reduction of nuclear weapons, issues such as Kosovo, NATO expansion, the IMF's support for Russia, and the India-Pakistan nuclear race will be discussed in detail."

LATIN AMERICA

ARGENTINA: "Russia's Downfall Inevitable"

Claudio Uriarte, left-of-center Pagina 12's international analyst, commented (6/27): "Basically, Russia is Asia's downfall, but China is the pivot from which it will rise again.... But it is Russia where the Asian crisis threatens to grow and become global and deadly for the rest of the

world. For weeks, Russian monetary authorities, the IMF and even the U.S. president himself--have been trying to uphold the ruble against the attack of speculators. And not only of speculators, but of legitimate investors, too.... The Russian Central Bank raised interest rates again yesterday and the IMF, with its \$670 million, had the effect of trying to stop the leaking of a dam with a cork. These are temporary measures, and both players are aware of this. Not much can be expected from Prime Minister Kiriienko's advanced tax plan. Finally, the United States has no more money to give.

"Then, is Russia's downfall inevitable? To a certain extent, yes--because Boris Yeltsin has already lost too much time and U.S. aid--and what he is negotiating now is up to where and in what terms it will fall. This is why a strong China on the southeast angle of the huge Asian continent is indispensable for the United States. A China which will resist the temptation of knocking economically at Japan's door and which will guarantee certain regional stability. In truth, this is nothing new, but the continuation of the pivot established by Nixon and Kissinger against the old USSR in 1972. That pivot--with new players and problems--is today back in operation."

"Russians, Surrounded By Crisis And Corruption"

Telma Luzzani, on special assignment in Moscow for leading Clarin, wrote (6/23): "Moscow is drastically changed. Nothing remains of that sordid Soviet capital which voluntarily remained in darkness for fear of being tracked down by an enemy satellite. Today, streets are paved; public buildings, shops and homes are lit; there is a modern underground shopping

mall a few meters away from the Red Square, and cafes and restaurants are key places: something unusual only six years ago.

"But Moscow is not Russia. Only 70 kilometers away from the capital people still live without electricity or running water. And if you no longer see poor or unemployed people begging on the streets, it is because an important official operation 'did away' with most of them. According to the press, this 'mass deportation of undesirable' people is linked to the opening ceremony of the upcoming Junior Olympic Games on July 13.... The country is today in a more than worrying situation. In addition to financial unrest there is a political and social crisis. Protest rallies headed by teachers, scientists, mine operators and public servants crop up intermittently across the country, claiming the payment of nine-months delayed salaries. Capitalizing popular unrest, the Duma approved, last Friday, the first step aimed at submitting Yeltsin to impeachment....

"What is worse, the Kremlin no longer hides its impotence in controlling the crisis in its financial market or in preventing investors from fleeing. The Treasury-bond market, the only resource the government has to finance the budget deficit and the payment of the public debt, is in a very dangerous spiral, like the one that led to a civil war in Albania.... The Russian government will launch an anti-crisis plan as part of the demands by international organizations...many of which will inevitably

lead to popular unrest.... If the present economic instability grows,

which is quite likely, Russia will fall into an irreversible political and social crisis. The consequences will not be visible in the next months but, according to political and diplomatic sources consulted by Clarin, the deterioration will definitively lead to the downfall of Yeltsin's government and another key figure (many think in general Alexander Lebed) will be Russia's leader before the year 2000."

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RUSSIAN ECONOMIC CRISIS: 'A BAD SITUATION'

Observers in Europe, Asia and Latin America viewed with increasing alarm the "bad" economic situation in Russia. Amidst swirling rumorsamong them that Russi an President Yeltsin had diedand following a week that saw Russia's stocks, bon ds and currency take a pounding, analysts expressed concern that

the Yeltsin government's recently announced antifi nancial crisis measures and its efforts over the last few days to secure an aid package with the IMF would not be enough to avert a "catastrophe." Pundits in Russia and Germany held that President Clinton's decision to accept an invitation to attend a superpower summit in Moscow in September was influenced in part by his concern about Russia's economic crisis. Following are salient themes in the commentary:

ANTICRISIS MEASURES: A majority of media voices criticized the Kremlin's initiative

which include a tax system overhaul and budget-cutting holding that they are

only short-term solutions and not the long-term remedies that are necessary to

put the nation back on track economically. But several gave credit to Mr. Yel

tsin and his officers for boldly addressing the situation, and, as London's con

servative Times said, not bowing to "any populist temptation to blame international

markets." Russian media reflected a wide variety of opinion, ranging from

communist Pravda's criticism that the anticrisis program is "more like an

instruction on firefighting through the use of fuel and combustibles," to reformist

Russkiy Telegraf's admission that the government had "no choice" but to implement its severe budget

stabilization program.

DOMESTIC AND INTERNATIONAL IMPLICATIONS: Opinionmakers foresaw a deepening political

crisis between the Kremlin and opposition forces in the Duma. Noting

that the parliament must still approve a number of the more important economic

reforms, as well as any agreement made with the IMF, commentators warned that the

Communist Party members in the Duma would continue to stonewall on the measures

and probably reap the benefits from a Yeltsin government that appears to be

stumbling. In light of its dire economic straits, a number of editorialists raised

questions about Russia's status in the new world order, wondering if it fits the criteria for a

"superpower" anymore. "Russia obviously has difficulties

bidding farewell to
this role.... In the coming century, nuclear forces are supposed to remain
Moscow's basis of power. But in the long run, a thriving economy and a
stable ruble would be a better basis," asserted Berlin's rightofcenter Die
Welt.

X` hp x (#AMERICA NOT HELPING? A few pundits focused on the role of the U.S.,

criticizing the superpower for not being more "helpful." Noting that the
U.S.

is a central force behind the IMF, Moscow's centrist Nezavisimaya
Gazeta had t

his most jaundiced view: "The Americans, far from trying to
help, are out to s

ink her. Aware that Russia has nothing except her oil and
gas resources, the U

.S. wants to deprive her of that last economic prop.

Succeeding in that would

be a blow to Russia's integrity." London's

conservative Times also berated Wash

ington, admonishing the U.S. Congress for

refusing to pay "America's share of t

he IMF replenishment.... Mr. Clinton

needs to tackle the opposition in Congres

s with...resolve."

This survey is based on 46 reports from 9 countries, June 20July 9.

EDITOR: Diana McCaffrey

EUROPE

X` hp x (#

RUSSIA: "Economic Policy Crisis"

X` hp x (#

Aleksei Ulyukayev held in reformist Segodnya (7/9): "Russia's current fiscal

p

roblems stem not so much from the wretched state of its economy as from a
crisi

s of its economic policy. Investment risks in Russia are due to the
government

's inability to finance budget expenditures from revenues, which
increases the

federal debt, the price of its servicing and interest spending,
and makes furth

er drawing necessary. To win investors' confidence, we need a
consistent and t

ough budget policy. The government must stop using money
from financial market

s to finance the budget deficit."

X` hp x (# "U.S. Loses Interest In Russia"

X` hp x (#

Reformist Izvestiya (7/8) ran a report by Konstantin Eggert: "Bill Clinton's

recent visit to China lasted nine days. His trip to Russia in September will be no longer than two to three days. On the U.S. scale of political priorities, Moscow is clearly not tops. The Americans are increasingly disappointed with Russia and its political elite, convinced that building relations with Moscow on a longterm basis is an unrewarding business. An incoherent economic policy, social tension, crime and unstable government are all features of Russian reality and do not help serious contacts. Compared to central Europe and even Communist China, Russia looks like a country unsure of where it is going. The lack of a political will among those behind the throne gives no confidence in this country's future.... For all its differences with Moscow, Washington wants Russia to reform to continue."

X hp x (#

"Adding Fuel To Fire"

X hp x (#

Viktor Pritula remarked on page one of neocommunist PravdaFive (7/8): "The crisis program is more like an instruction on firefighting through the use of fuel and combustibles. It does not give confidence in the government's ability to control the situation."

"Choosing Between Boris And START"

Nikolai Zimin filed from Washington for reformist Segodnya (7/8): "Russia's economic crisis is apparently why Bill Clinton has after all decided to come to Moscow. The RussoAmerican summit, just as a chance to get a big credit from the IMF, may be proof that the West is serious about the Russian government's frantic attempts to get out of the financial deadlock."

"Clinton Does The Right Thing"

Vladimir Abarinov remarked in reformist Russkiy Telegraf (7/8): "Clinton has done the right thing by deciding to come over. After all, he did go to China which is giving America no fewer headaches than Russia. The atmosphere at the summit is a special topic. It is extremely unfavorable, I must admit,

with the president himself publicly urging his diplomats not to submit to the Americans."

X' hp x (#
"Turning Point?"

X' hp x (#
Yury Nevezhin and Denis Kirillov said in the "Finansoviye Izvestiya" supplement to reformist Izvestiya (7/7): "Sergei Kiriyenko's political demarche [visavis Gazprom] will stay in the history of this government as a turning point. Hopefully, it will bring political stability and make this cabinet more credible, rather than tough and aggressive.... Encouragement from Michel Camdessus, made in public, has so far been the only positive reaction."

"Yeltsin Is Not A Player"

Andrei Denisov held in reformist weekly Moskovskiye Novosti (# 26, 7/7): "The fight (against Gazprom), the first serious fortitude test for the government, has shown that it lacks in fortitude and that the key player on the executive power side, the president, is not a player, but still a referee. That makes one wonder about the new cabinet and its role."

"Attack On Gazprom Makes No Sense"

Otto Latsis commented in reformist Noviy Izvestiya (7/4) on the government's latest attack on Russia's leading monopoly Gazprom: "In the IMF's eyes, it must have looked helpless and senseless, although the intention was to demonstrate the government's force. Worst of all, assuming that the current financial crisis, in effect, is a credibility crisis, the government's credibility has suffered the most. The cabinet was only beginning to appear like a team of hardcore professionals when, all of a sudden, it looked like a bunch of dilettantes unsure of themselves. But that the government is wrong does not mean that Gazprom is absolutely right.... The years when we tried to cheat on ourselves and avoided reducing spending and putting our taxation policy in order have only added to our social problems in this transition period. To adopt and, more importantly

, implement an anticrisis program, we need a firm government and great consolidation of all political forces. Unfortunately, we lack both, as shown by the Gazprom row."

"Punitive Actions Fail"

Andrei Serov stated on page one of reformist Russkiy Telegraf (7/4): "Much has been said about tough measures that are being effectively applied to those who refuse to pay taxes. But those punitive actions have not brought a single ruble to the state budget. Instead, they have brought losses in the form of the British Shell company having given up its plans to take part in the Rosneft auction as Gazprom's partner."

"It's All Intrigues And Selfishness"

Vitaly Gan concluded on page one of neocommunist PravdaFive (7/4): "The Gazprom story is a classic example of selfish timeserving considerations and intrigue in the establishment having upstaged Russia's true interests."

" This Is no Way to Treat Major Companies"

Official government Rossiyskaya Gazeta (7/4) published this comment by Aleksandr Velichenkov, Anna Kozyreva and Vladimir Kucherenko: "This is no way to treat major companies. Rows like that play into the hands of Gazprom's rivals, including the Americans who have been trying hard to get us out of Iran, cutting Russia off from lucrative markets in Pakistan, India and China."

"The IMF In A Trap Similar To Russia's"

Boris Kagarlitsky held in centrist Nezavisimaya Gazeta (7/4): "The IMF's current problems are precisely why it will give Russia the money. It simply cannot help giving it. The Fund is in a trap similar to Russia's it is a hostage to decisions already made, a hostage to the economic model of neoliberal capitalism."

Things might have been different, had neoliberal reform not been so sweeping and had this country not been turned into a

periphery of the global system. Al
as, we have an impotent state and impotent
lumpenbourgeoisie capable only of ex
ploiting our natural resources and
serving Western financial interests."
X` hp x (#

"Yeltsin's New Deal"

Svetlana Babayeva, Vera Kuznetsova and Dmitry Dokuchayev remarked on page one
of reformist Izvestiya (6/24), reporting about President Yeltsin's new
anticris
is program: "The Kremlin and the government will have to rack their
brains over
how to secure the Duma's cooperation in implementing the new
policy."

"Protracted Depression Possible"

X` hp x (#

Boris Pozdnyakov stated on page one of reformist Russkiy Telegraf (6/30):
"The
budget stabilization policy (obviously, important and necessary) may
have indi
rect but nonetheless painful consequences. Stagnation may give way
to protract
ed depression with all its nasty attributes like ruined banks and
enterprises,
massscale unemployment, a disintegrating financial system, and
the loss of a co
mpetitive market. Even worse, it may entail social and
political troubles. Th
e government, of course, is aware of the risks
involved in budget stabilization
. But it has no choice. Ruble stability and
shortterm obligations are now mo
re important than longterm economic
prospects."

"Kremlin Snubs Duma"

Vasily Safronchuk said on page one of nationalist opposition Sovetskaya
Rossiy
a (6/30): "The economic and financial stabilization program was
developed in pa
rticipation with oligarchs and takes a 'parallel' government,
a council for eco
nomic cooperation, to implement. The Duma was not involved,
the Kremlin having
decided it could do without it. One can hardly imagine a
worse instance of a
government ignoring parliament."

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"Flaying People Soviet Style"

X' hp x (#

Aleksei Borisov said in reformist, youth-oriented Moskovskiy Komsomolets (6/27)

: "If crushing the banking system, the standard of living and the real economy via taxes is an anticrisis, the government is surely in a (medical) crisis. We need real and firm rules and we need to know the time during which unpopular but necessary measures are to be carried out. We also need a proinvestment taxation policy with a clear incentive for everyone to work more and take the income to a bank. We do not have all that. Instead, we are being flayed Soviet style."

"Price Of Integration"

Aleksei Makushkin concluded in reformist Noviy Izvestiya (6/26): "The problems we run into, following the road of reform, are the price we have to pay for integration into the outside world."

X' hp x (# "Program Made To Order"

Maria Bogatykh said on page one of reformist Segodnya (6/24): "It looks as if this program was made to order, the special design taking into account the unique proportions of Mother Russia's figure. With a skilled cutter, you may be lucky to end up with a good dress. Sergei Kiriyyenko is a great manipulator, and this country's politics prevail over its economics, therefore you only see what you need to see so that the program does not fall victim to political games and you find it hard to make forecasts. You only have to follow changes as they come."

"Strong Russia Unwelcome In World"

X' hp x (#

Yury Maslyukov, chairman of the Duma's economic policy committee, stated in reformist Pravda (6/23): "The longer we delay a crash, the worse its consequences will be. We must act differently, taking into account what happened and what is going to happen."

"We need a new program. Whatever has been suggested to date is merely patching up holes and trying to keep afloat a bit longer. We must be quite clear that the measures that really need to be taken are unpopular and very hard. It is important also that we define our objectives continuing to use Russia as a source of personal enrichment or trying to revive it. The latter is sure to be opposed by our creditors abroad and at home. A strong, competitive and independent Russia is unwelcome in this world."

"There's No Easy Choice"

Lyudmila Telen said in reformist Moskovskiye Novosti (# 24, 6/23): "Ruble devaluation would be the end of all the robust president, the flabby government, the compliant opposition, and corrupt governors. This only means that we need new people to carry out a new policy, people with trust and will. As for the economy, our previous leaders have not left us an easy choice, and nobody is certain that new ones will be able to carry on market economy and democratic reforms. One thing is clear it is naive to expect anything good from those who will sacrifice democracy to a market economy. There are many people like that. But their approach has nothing to do with a market economy."

"U.S. Out To Sink Russia"

Tatyana Koshkareva and Rustam Narzikulov held on page one of centrist Nezavisimaya Gazeta (6/20): "As if an economic disaster is not enough, there is a danger to Russia's integrity as a state. The impotent government is a great risk to her sovereignty, regardless of the way the financial crisis may be solved. The IMF only agrees to offer money on its own stringent terms. They are suicidal to Russia. But, without that money, she is on the brink of default. The Americans, far from trying to help, are out to sink her. Aware that Russia has nothing except her oil and gas resources, the United States wants to deprive her of that last economic prop. Succeeding in that would be

a blow to Russia's integrity."

"Crisis Dates Back to Gorbachev Days"

Anatoly Tille opined in nationalist opposition Sovetskaya Rossiya (6/20): "This crisis did not start last May or in 1994. It dates back to the Gorbachev days and the Gaidar (American) reform. The system crashed last May. It is mortally sick. There is nothing for it ahead. Only chaos. Unfortunately, there is no force in Russia today which would be able to rally the masses."

BRITAIN: "Russia And Friends"

The conservative Times said (6/25): "Capriciously as Boris Yeltsin has often seemed to change teams, he has held to the overall goal of reform. His grave analysis of Russia's plight admirably eschewed any populist temptation to blame international markets.... Mr. Yeltsin insists that the Duma must pass all the necessary legislation by July 13, when it breaks for the long summer recess. Otherwise, he hinted that he will resort to decrees. He may well have to make good that threat. If he does, Russia's friends should show understanding. While the West awaits proof of the latest Russian pudding, it should repair a gap in the world's international financial defenses. Because the American Congress refuses to pay America's share of the IMF replenishment, the \$15 billion Russia wants would devour all the hard currency the IMF has left, leaving nothing for emergencies elsewhere. Mr. Yeltsin has faced up to the Duma this week; Mr. Clinton needs to tackle the opposition in Congress with equal resolve."

GERMANY: "Summits Aren't What They Used To Be"

Manfred Quiring opined in an editorial in right-of-center Die Welt of Berlin (7/8): "Bill Clinton will go to Moscow. 'Finally,' the Kremlin will certainly say since the last Russian-American summit meeting took place more than a year ago."

"In Moscow, Russian-American summits are still considered something they no longer are: meetings of the two great leaders of global politics.... But the times of confrontation are fortunately over. This is also true for Russia's role as a superpower. But Russia obviously has difficulties bidding farewell to this role.... In the coming century, nuclear forces are supposed to remain Moscow's basis of power. But in the long run, a thriving economy and a stable ruble would be a better basis."

"Put A Bottom In The Russian Pit"

Right of center Fraenkischer Tag of Bamberg (7/8) opined: "Kiriienko will remain a beggar in a pinstriped suit if his government does not quickly change the economic policy framework conditions in the country. He must enable Russia to translate the enormous economic potential into social progress. It is necessary not only to set up anticrisis programs but also to implement them. Under pressure from the leading politicians of the Western world, the IMF is still willing often before to throw again billions into a bottomless pit. It is questionable whether these new grants will be well invested and can stabilize Russia. Only one thing is sure: They will help support the power of Russia's President Yeltsin on a temporary basis. But nobody wants to speak about for how long this political pomp in the Kremlin will continue to be feasible will tick, for the vision of a Russia without the alibi democrat Yeltsin is interpreted like a horror scenario. Unlike his predecessor, Kiriienko should not only point out that the Russian pit is empty, but he must also put in a bottom. And Yeltsin must not only encourage him to do so, but he must also put the hammer in to Kiriienko's hand."

X hp x (# "Kiriienko Painting Gloomy Picture"

Centrist Stuttgarter Zeitung (7/6) noted: "Russia's Premier Kiriienko is the focus of interest. His appearance over the past two days in the Duma made

clear the seriousness of the Russian state budget situation. The young premier painted a gloomy picture of the economic situation of the country to the parliamentarians. With brutal frankness he pointed to the weak spots of earlier reform plans and confronted the Duma with a radical emergency plan. This had no resemblance with the selfrighteous moves of Yeltsin in the past years. After this speech, even the diehard opposition parties of the nationalists and communists understood that the crisis must be tackled."

"Yeltsin Responsible"

Rightofcenter Maerkische Oderzeitung of Frankfurt on the Oder held (7/6): "In March, Yeltsin fired the government of Premier Chernomyrdin and, after a lengthy bickering with the Duma, made Kiriyenko the premier of the country. However, if this young politician fails, Yeltsin will be faced with some dangerous problems. The president who has so far applied a hireandfire principle, will then have no other choice but to concede his own bankruptcy. The Russian president is the one politically responsible for Russia's decline. He allowed every second ruble to be earned in the shadow economy, and large companies such as Gazprom invest their profits abroad instead of paying their taxes on time. Yeltsin signed several decrees, but did not improve the situation itself. In light of this, it seems grotesque that Yeltsin is disseminating rumors about a new presidential candidacy in the year 2000."

"Bad Situation In Russia"

Centrist Badische Zeitung of Freiburg noted (6/24): "The hectic activities in Moscow reveal how bad the financial situation in Russia is. The Russians will now be faced with tough and austere times. Without foreign assistance, President Yeltsin and his new premier would be sucked into a maelstrom of the state's bankruptcy. This would mean not only a lack of funds, but also the disintegration of the state's social order. It is in the best interest

of Western do
nors and the majority of political parties in the country
itself to prevent th
is.

"The reaction of the Duma to this savings package also demonstrated this.
The
only party to stonewall the package was the Communist Party. Are they
still
hoping to get rid of the current system?"

"No Improvement In Sight"

Rightofcenter Fuldaer Zeitung held (6/24): "From whatever the Russian
governme
nt's viewpoint, on a shortterm basis, an improvement of the
situation is not i
n sight. These are bad omens for the next elections,
since the longing of the
people for a state that can support them in bad
times is getting greater. St
rong men such as exgeneral Alexander Lebed and
the communists, who want to tur
n back the clock, will benefit from such a
situation. For the rest of the wo
rld, however, both variations are terrible
to imagine."

"Not An Easy Task"

Rightofcenter Thueringer Allgemeine of Erfurt (6/24) had this to say: "We
mus
t fear that the anticrisis program which was announced with so much pomp
will
end up as all previous reforms that simply drifted away."

"Government Should Stimulate Economy"

Rightofcenter Badische Neueste Nachrichten of Karlsruhe and
rightofcenter Sch
waebische Zeitung of Leutkirch (6/24) held: "Instead of
punishing initiatives w
ith horrendous taxes and alienating foreign
investors, the government should s
timulate the economy. And it should
strictly watch the activities of fraudule
nt banks, since they are stymying
action with their intransparent 'baksheesh'
system. In its history, Russia
is now experiencing real freedom. There are,
for the first time, signs of
democracy and implementation of the rule of law.
These values must be
further developed. But we do not hear anything about t

his in the speeches
of the president. It is counterproductive to threaten the
Duma with its
dissolution now. Instead, Yeltsin should try to win lawmakers'
support for
the reform plans of the young government."

"Misery Will Continue As Long As Money Is Not Invested For Creation Of Jobs"

P. Bock commented on regional radio station Radio Kultur of Berlin (6/24):
"The whole anticrisis program only serves to impress the IMF. But the
economic
and social misery in Russia will not change as long as money is not
invested for
the creation of new jobs. The necessary confidence in the
safety of these
investments, however, does not exist. This is true both for
Russians and foreigners. A great part of the Russian population has no
longer any trust in the
politicians. The people are only trying to
survive."

"Right Direction"

X' hp x (#Birgit Marschall noted in an editorial in leftofcenter Berliner Zeitung
(6/23), "The program which Premier Kiriyenko has now presented to address the
crisis is going in the right direction. In order to increase tax revenue,
the state must reduce its spending. Stricter controls on tax evaders,
however,
will result in only a negligible increase in tax revenues. The
Russian financial
authorities simply do not have the means to counter the
tricks of tax evaders."

FRANCE: "The Battle Of The Ruble"

Laure Mandeville commented in rightofcenter Le Figaro (6/24): "The urgency
with
which Anatoli Chubais has been called back to negotiate with the IMF
leaves one
skeptical. Is the Russian government so weak that it needs to
call upon one
of its former key men in order to be heard?... In spite of
their 'strategic plan',
Boris Yeltsin and his government look more like
firefighters dealing with
an emergency than strategists with a longterm
plan."

BELGIUM: "Kiriyenko Is Right: 'Fantastic Political Courage' Is Necessary"

Pol Mathil wrote in independent Le Soir (6/24): "In Russia, there is no alter native. The YeltsinKiriyenko program can cause a catastrophe. But (such a catastrophe) is avoidable. However, if such a program did not exist or were to fail, the catastrophe would be certain. In the absence of reform, Russia would be confronted with a dramatic future. Either a period of 'smuta,' of national apathy, or anarchy. In both cases, the longing for a strong man would surface.. .. With real 'smuta' or real anarchy, the most backward forces could take over Kiriyenko is not mistaken. A crisis of state is threatening Russia and, in order to implement his rescue plan, 'fantastic political courage' is necessary. Not only political."

HUNGARY: "Dangerous Beautiful Lady"

Secondlargest circulation Nepszava asked (7/8): "Is it only an old time routine that the recently announced meeting of Clinton and Yeltsin is called a summit? Summits are normally held for leaders of superpowers, but can Russia still be called one? It is obvious that the international influence of the current lord of the Kremlin does not compare to that of former Soviet first secretaries, one would, therefore, expect that the U.S. president is going to have an easy task. But it is clearly not the case. It is as difficult to run talks with a 'declining' superpower as to go on meditating on the passing of time with a beautiful lady. The main thing is to avoid offending them or making them remember the contrasts of the glorious past and the bitter today. Clinton and Yeltsin, nevertheless, have important issues on the agenda to discuss: Kosovo, NATO or Southeast Asian nuclear weapons. The U.S. president, however, has to be quite careful. The beautiful lady is maybe not her former self, but could be more dangerous than ever before."

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Conservative Aftenposten commented (7/8): "When an American head of state has paid a visit to China, he must also go to the Kremlin. The balance of power in the United States' relationship with Beijing and Moscow has shifted considerably since the 1970s. The Americans cannot, however, embrace one and neglect the other. There needs to be a balance. It was no longer acceptable for Clinton to continually repeat that a summit in Moscow was out of the question until after the Russian Duma had demonstrated intent to ratify the last part of SALT II.... Clinton is forced to go. However, the Americans would be negligent if they behaved in diplomacy, polite language and negotiations didn't start looking into who, and which policies, Yeltsin will be replaced by."

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Liberal El Pais opined (7/3): "Only the shared conviction that collapse is imminent will make way for the emergency plan presented to a hostile parliament by the Russian prime minister.... Moscow is trapped in an explosive situation in which its most visible signs are strikes and millions of unpaid workers and at the same time, it is faced with the demands of the IMF, which will only come up with more money if the government cuts expenses.... The magnitude of the crisis gives one the shivers. The price of oil, the major source of government revenue together with natural gas, has dropped 40 percent this year; a third of the budget is earmarked to service \$200 billion in debts; the stock market has fallen 50 percent since January; and companies' tax arrearages are estimated at about \$160 billion. Kiriyeenko has warned the Duma that the situation is not apt for political rhetoric and that the battery of bills he has submitted needs to be passed in order to avoid a collapse."

EAST ASIA

SOUTH KOREA: "Summit In Moscow"

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Conservative Segye Ilbo pointed out (7/8): "President Clinton will visit Moscow in September to hold a summit with President Yeltsin.... In its announcement of the planned presidential visit, Washington insisted that the visit and the START II agreement are not directly linked.... While the top issue of the summit will be the reduction of nuclear weapons, issues such as Kosovo, NATO expansion, the IMF's support for Russia, and the IndiaPakistan nuclear race will be discussed in detail."

LATIN AMERICA

ARGENTINA: "Russia's Downfall Inevitable"

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Claudio Uriarte, leftofcenter Pagina 12's international analyst, commented (6/27): "Basically, Russia is Asia's downfall, but China is the pivot from which it will rise again.... But it is Russia where the Asian crisis threatens to grow and become global and deadly for the rest of the world. For weeks, Russian monetary authorities, the IMF and even the U.S. president himself have been trying to uphold the ruble against the attack of speculators. And not only of speculators, but of legitimate investors, too.... The Russian Central Bank raised interest rates again yesterday and the IMF, with its \$670 million, had the effect of trying to stop the leaking of a dam with a cork. These are temporary measures, and both players are aware of this. Not much can be expected from Prime Minister Kiriyenko's advanced tax plan. Finally, the United States has no more money to give.

"Then, is Russia's downfall inevitable? To a certain extent, yes because Boris Yeltsin has already lost too much time and U.S. aid and what he is negotiating now is up to where and in what terms it will fall. This is why a strong China on the southeast angle of the huge Asian continent is

indispensable for the United States. A China which will resist the temptation of knocking economically at Japan's door and which will guarantee certain regional stability. In truth, this is nothing new, but the continuation of the pivot established by Nixon and Kissinger against the old USSR in 1972. That pivot with new players and problems today back in operation."

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X` hp x (#"Russians, Surrounded By Crisis And Corruption"

Telma Luzzani, on special assignment in Moscow for leading Clarin, wrote (6/23

): "Moscow is drastically changed. Nothing remains of that sordid Soviet capital which voluntarily remained in darkness for fear of being tracked down by an enemy satellite. Today, streets are paved; public buildings, shops and homes are lit; there is a modern underground shopping mall a few meters away from the Red Square, and cafes and restaurants are key places: something unusual only six years ago.

"But Moscow is not Russia. Only 70 kilometers away from the capital people still live without electricity or running water. And if you no longer see poor or unemployed people begging on the streets, it is because an important official operation 'did away' with most of them. According to the press, this 'mass deportation of undesirable' people is linked to the opening ceremony of the upcoming Junior Olympic Games on July 13.... The country is today in a more than worrying situation. In addition to financial unrest there is a political and social crisis. Protest rallies headed by teachers, scientists, mine operators and public servants crop up intermittently across the country, claiming the payment of nine months delayed salaries. Capitalizing on popular unrest, the Duma approved, last Friday, the first step aimed at submitting Yeltsin to impeachment....

"What is worse, the Kremlin no longer hides its impotence in controlling the

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crisis in its financial market or in preventing investors from fleeing. The
Treasury bond market, the only resource the government has to finance the
budget deficit and the payment of the public debt, is in a very dangerous
spiral, like the one that led to a civil war in Albania.... The Russian
government will launch an anticrisis plan as part of the demands by
international organizations ...many of which will inevitably lead to popular
unrest.... If the present economic instability grows, which is quite
likely, Russia will fall into an irreversible political and social crisis.
The consequences will not be visible in the next months but, according to
political and diplomatic sources consulted by Clarin, the deterioration will
definitively lead to the downfall of Yeltsin's government and another key
figure (many think in general Alexander Lebed) will be Russia's leader
before the year 2000."

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===== END ATTACHMENT 1 =====