ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: mlabsb (mlabsb@usia.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:17-SEP-1997 14:35:00.00

SUBJECT: Brazil Media Alert - Sep. 17

TO: nelson w. cunningham (nelson w. cunningham@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
BRAZILIAN MEDIA ALERT

Wednesday, September 17

FAST TRACK PROPOSAL -- Washington correspondent Maria Helena Tachinardi of "Gazeta Mercantil" reports (page A-11) that the fast track proposal sent by the Clinton administration to Congress yesterday does not link trade negotiations with labor rights or environmental issues. This change in the U.S. position, according to an unnamed American source, is "consistent with the Cartagena and Belo Horizonte FTAA Ministerial meetings, as well as with what Brazil wants." Tachinardi also states that the proposal aims to accommodate the interests of the American farm lobby by saying that the government will try to obtain fairer trade conditions for American agricultural products in foreign markets. Also included in the proposal is a clause which allows the President to cut by 50% any ad valorem import tariffs of 5% or more, and to zero tariffs bellow 5%. According to an unnamed source, this "will allow temporary trade agreements with Brazil." Tachinardi also states that another new feature of the fast track proposal calls for Congressional consultations throughout trade negotiations, and allows Congress to withdraw fast track authorization if it feels it has not been heard to content. According to her, the project may be approved by the House before President Clinton's

Latam trip, and the Senate vote could still happen before the Americas Summit in Santiago. A sidebar article by Deborah Zabarenko of Reuters states that the AFL-CIO will campaign against fast track.

TRADE STUDY -- Monica Yanakiew of "Gazeta Mercantil" reports that Industry and Trade Minister Francisco Dornelles stated that Brazil will take a more "aggressive" stance against foreign trade barriers. The Minister spoke at the official release of a study by the Foreign Trade Foundation (Funcex, see 9/16 media alert). Yanakiew states that similar reports, with trade grievances from the U.S. and EU against Brazil, are available on the Internet.

U.S. VS BRAZIL -- An opinion piece by Herbert Levy, "Gazeta Mercantil" owner (page A-2), draws on the Funcex study to criticize U.S. policy towards Latin America. Levy states that it is possible to infer from recent trade and policy measures that the U.S. does not regard Brazil as a friend, and that it is trying to break up integration efforts in Latin America. Brazil is singled out for this treatment because of its Mercosul leadership and strong reaction against American trade barriers. Levy states that the U.S. uses fallacious arguments to support trade restrictions, and suggests that there is much corruption behind the lobbying which supports them.

IMF REPORT ON BRAZIL -- Rio daily "O Globo" states (page 31) that President Cardoso disagreed with the Brazil section of the IMF report released recently. The document states that the country cannot decrease poverty levels further unless it changes its educational and agrarian reform policies. According to the paper, a spokesman for Cardoso said that both areas have been under extensive reformulation since the beginning of the administration.

-- An editorial in "O Estado de S. Paulo" states (page A-3) that regarding the country's economy the report was in the most part positive. The problems mentioned in the document, such as the growing current-account deficit, are not new and are being addressed by the government.

BRAZILIAN COMPANIES IN U.S. STOCK MARKETS -- A "Gazeta Mercantil" article (page B-8) states that a growing number of Brazilian businesses are listed on U.S. stock markets. The country is second only to Mexico in Latin American Depositary Receipts (ADR) emissions. Other Brazilian companies open representations in the U.S. to bypass ADR's and issue stocks directly. Numbers are still small: 50 Brazilian companies use ADR's and only 4 are listed on the Nasdaq as U.S. companies. However, figures are expected to grow as Brazil's economy picks up and smaller companies decide to go public.

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*******************===================== ATTACHMENT   1 =====================
ATT CREATION TIME/DATE: 0 00:00:00.00

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ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: USIA_Media_Reaction (USIA_Media_Reaction/R__MR/WASHDC/USIA/GOV.USIA@notes1.usia.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:10-OCT-1997 11:03:00.00

SUBJECT: Daily Digest 10/10: CLINTON TO VENEZUELA, BRAZIL, ARGENTINA

TO: Kristen E. Panerali (Kristen E. Panerali@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
As President Clinton prepares to depart Sunday for his second trip to

Latin

America this year, scenesetters in Latin America, Europe and Asia

addressed a

variety of issues dominating U.S. relations with its southern

neighbors--with

trade matters and security relations receiving the most scrutiny. Perhaps

not

so surprisingly, the prevailing sentiment among commentators in Latin

America

was that regional leaders must deal with the superpower from a position of

strength and be more assertive in protecting their nations' interests and

sovereignty. Caracas's leading left-of-center El Nacional, for example,

echoed

the sentiment of other media voices: "We fit nicely into the U.S.

agenda. So,

what about our agenda?... We have the right to demand proper treatment."

A

number of other observers welcomed the president's initiative in coming to

vi

sit the region for the second time this year. Several were hopeful that

Mr.

Clinton would listen to the concerns of the Latin Americans and that his

meetings with his counterparts would have substantive results.

Center-right O

Estado de Sao Paulo said the Clinton tour must go beyond "speeches,

declarations, dinners and golf games" and deal with "a lot of broad and

specific high-level subjects." Following are major themes of the

commentary:

TRADE: Argentine, Brazilian and other dailies dwelled on what they saw as

the

looming struggle between Washington and Mercosur--the regional trade

pact--over

how to proceed with integration of trade markets throughout the

Americas. In

Brazil--the country seen as the lynchpin trading partner in

Mercosur--commentators continued to stress that the trading bloc members

were

not ready to enter into any free trade area of the Americas (FTAA)

agreement

until sufficient economic progress has been made in those countries. They

saw

the U.S. pushing for FTAA on its own terms and warned that the superpower

was

making a grab for economic domination in the region. Center-right O

Estado de

Sao Paulo maintained: "Presidents Fernando Henrique Cardoso and Carlos Menem should take this unique opportunity to stand by their position and support Mercosul's position regarding the timetable of the FTAA's creation.... President Clinton should understand that for both Brazilians and Argentineans, the FTAA's creation will only be beneficial if made at the right time." All pundits noted that President Clinton is traveling to Latin America without fast track authority to negotiate trade agreements. Some wondered what impact that would have on the president's ability to make progress on important trade issues. However, at least one analyst in Brazil rejoiced that without fast track, the president's "hands are tied.... And the Brazilian government will have a free hand to pursue its own agenda in this area, in which the priority instead of the FTAA, is to strengthen and expand the Mercosul." Meanwhile, U.S.-European trade rivalries dominated Milan's provocative, classical liberal Il Foglio's coverage of the visit, with the headline "Latin American Economy Running Towards Europe."

SECURITY: Journalists also focused on the U.S.' intention of granting Argentina major non-NATO ally status. There was some expression of irritation
among the analysts in countries neighboring Argentina. Argentinean papers for
the most part, however, viewed the U.S. decision positively and as a symbol of
the "'Copernican' revolution taking place in the relations between our country
and the most important power in the region and the world."

This survey is based on 33 reports from 14 countries, September 27-October 10.

EDITORS: Diana McCaffrey and Mildred Sola Neely

LATIN AMERICA

ARGENTINA: "Leftists Against Clinton: Most Important Campaign Rally"

Esteban Schmidt, political analyst for left-of-center Pagina 12, said (10/9):

"Next Thursday, October 16, when Bill Clinton dines at the Rural Fair in Palermo with Argentina's top thousand leaders, key leftist forces will hold
their most important political activity this year, after the May 1 celebration. It will be a rally against the visit of the U.S. president. 'Thirty years after Che's death, Clinton and IMF, Out' is the slogan agreed

upon by the parties involved, which, for this rally, showed a natural bent for accords that they regretfully lack when they need to show they are a unified electoral alternative.... One of the major concerns of the organizers is the possible action of rioters during the rally and the following stop at the doors of the Rural. In order to avoid this possibility, they say there will be strict internal security measures and that 'we will not go beyond the police's official ropes, wherever they are displayed.'"

"Clinton Appointed Argentina MNNA Of U.S."

Washington correspondent Ana Baron filed for leading Clarin (10/9): "The Clinton administration took another step forward in the process of appointing Argentina as the United States' MNNA (major non-NATO ally status) by sending a letter to Congress with that request. The letter with Clinton's support is addressed to Senator Jesse Helms.... Argentina's appointment as MNNA recognizes the importance the United States grants to Argentine contributions to UN peace troops.... In spite of the fact that such status is more of a political nature than anything else, until the last minute there were legislators who were reluctant about Clinton's granting Argentina such status."

"Contrast Between Argentina, Davidow On Ally Status"

Sergio Serrichio, Washington-based correspondent of business/financial Buenos Aires Economico, observed (10/8), "The importance given by the Argentine government to the 'great non-NATO alliance' is in contrast with (Secretary) Davidow's own caution when he addressed the issue. When requested by Buenos Aires Economico to 'define the term'... (Davidow) said it was a recognition of Argentine participation in 'at least eight' international peace operations, and (he) added that (Argentina's) non-NATO ally status has a 'different meaning' than the one previously granted in other cases.... 'It is not a strategic alliance nor does it imply any kind of mutual defense obligation,' Davidow explained."

"The Other Name"

An editorial in pro-government La Prensa held (10/8), "The visitor [Clinton] will find a high hurdle in the Southern Cone, where Mercosur stands up as an

alliance that does not want to be damaged by the commercial attack of the North.... The United States, an unparalleled example of liberties, must defeat

its domestic protectionists, who seem not to have understood that free trade is

a fruitful avenue, as long as a balanced two-way traffic is guaranteed. Otherwise, liberty will only belong to the stronger one. And that has another

name."

"U.S. And Our National Interest"

Rogelio Frigerio, head of the "Movimiento de Integracion y Desarrollo" political party, wrote (10/8) in an op-ed piece in daily-of-record La Nacion,

"With or without fast track, Washington will attempt to make fewer concessions

than the ones demanded by our countries. This is being perceived in Brazil.... In turn, in Argentina there are no clear official explanations and

everything leads one to believe that Washington thinks of Buenos Aires as a

kind of collaborator to break the Brazilian negotiating hard-line."

"Enormous Significance Of Clinton Visit, Non-NATO Ally Status"

An opinion piece by Guido Di Tella, Argentine foreign minister, in leading Clarin (10/6), said, "We, Argentines, will receive the visit of the president of the United States in the middle of this month, and before that date he will have presented...the proposal of the executive branch to grant Argentina the status of non-NATO strategic ally. Both facts are of enormous significance: They are the symbol of the 'Copernican' revolution taking place in the relations between our country and the most important power in the region and the world.... We have heard some opposition voices who recommend that we relinquish the condition of being an ally of the United States and (they) assure that these ties are contradictory with the ones we maintain with our Mercosur neighbors. This is a 'light' vision of the old 'anti-imperialism' of the '60s."

"Clinton Could Express Objections To Mercosur"

Maria O'Donnell, political columnist at daily-of-record La Nacion (10/7),

had
this to say about McLarty's Worldnet remarks: "Even though he praised regional blocs, McLarty said there is 'concern' over its effects on trade....
What will Bill Clinton say about Mercosur during his upcoming visit to Argentina? His words may not be of praise. Because, according to Clinton's
special envoy for the Americas, Thomas McLarty, 'trade groups, such as NAFTA,
Mercosur or the Andean Pact must facilitate trade and not change its direction.'" The columnist emphasized, "McLarty expresses, therefore, the views of some sectors of the Democratic administration which think Mercosur is
an obstacle to FTAA.... The construction of FTAA is a key issue of Clinton's
hemispheric policy and it will be 'the main topic' in next week's tour to the
region."

"Clinton Will Express His Support For Mercosur"

German SopeÏa, deputy managing editor of daily-of-record La Nacion, held (10/6)
that President Clinton will come "with a soothing message: He will explicitly
say that the United States will support the growth of Mercosur and (he) will

add that there will not be a conflict between the regional bloc and a future American free trade zone." La Nacion considered that Clinton "will dispel all the doubts that may have arisen these past months."

"What Is Clinton Coming For?"

Leading Clarin commented (10/5): "The fact that Clinton is kindly praising Mercosur does not mean that he is not coming to obtain certain advantages for FTAA.... Few of the Latin American governments believe that anything similar to a common market can exist before 2005.... Corruption is another White House concern that Clinton is bringing in his briefcase, taken in the framework of inequality to conclude business deals but not necessarily within the framework of morality.... The Argentine Foreign Ministry knows that the issue of corruption is important to Clinton, but his officials have not yet given clues as to how the issue will be posed."

"Is Hemispheric Free Trade Convenient For Us?"

Julio Sevares, leading Clarin's analyst on international economic issues, wrote

(10/3): "Everything leads us to assume that Argentina would grant more benefits than those it would receive. At present, the most important and promising Argentine market is Mercosur.... During the period 1994-96, exports to Mercosur grew an average of 31.3 percent a year, representing 39 percent of total foreign sales. Argentina had, in addition, a positive trade balance of $2.314 billion. In the same period, exports to NAFTA grew less than one half, at an average rate of 13.8 percent, representing 10.5 percent of the total sales. The average trade balance was negative, at $2.939 billion. Trade with the EU grew in a smaller proportion. Trade expectations of Latin American countries vis-a-vis a regional free trade area depend on their exporting capacity, and in terms of Argentina, there aren't that many possibilities....

"The (regional) differences are of decisive importance vis-a-vis the U.S. project of trade liberalization. The differences reflect the weakness of the ties woven during recent years in the Southern Cone and reduce the possibility of facing joint negotiations instead of doing so bilaterally, which is what the United States prefers to do, following an old and convenient tradition."

"Barely a Battle, But Not War"

Washington correspondent Ana Baron wrote in leading Clarin (10/2): "Yesterday's victory in the Senate's Finance Committee [voting to support renewal for fast track authority for President Clinton] is barely a battle in a long war in which nothing seems to indicate, at least today, that the Democratic administration will win. This not only means that Clinton will travel to Latin America in 10 days without fast-track authority, but that he will also arrive at the upcoming Summit of the Americas to be held in Chile in April next year empty-handed as well. According to the agenda for that summit, the key issue must be free trade and particularly the establishment of a free trade area in the entire hemisphere. But without fast track, the United States will not be able to start negotiating Chile's accession to NAFTA. To say nothing about sitting down to discuss a hemispheric free trade area. This, undoubtedly, will do a great deal to favor the position of Brazil, a country which has been questioning the way in which the U.S. wants to impose its

style
on FTAA negotiations. And will also favor all Latin American trade
partners,
especially Europe and Japan.... Not only is Chile important to the United
States in terms of an eventual NAFTA partner in the framework of a
strategy
aimed at enlarging that trade agreement. It is also a symbol of the
possibilities of moving forward in a region which has slowly returned to
the
agendas of the North, thanks to the growing circulation of money as a
consequence of economic stability and integration processes. This is one
of
the various aspects which explains Clinton's first trip to Latin America.
The
problem is that estimates were miscalculated and the saddlebags will be
less
full than expected."

"The 'Fast-Track' Clinton Wants"

An editorial in leading Clarin read (9/27): "The fact that the key
instrument
of U.S. foreign policy for Latin America is, at present, a presidential
authority to sign free trade accords with other countries marks how far
the
strategic interests of the area's leading power have shifted and what is
its

probable influence in our region. The 'fast-track' authority occupies, in fact, a key position in U.S. 'post-Cold War' foreign policy, comparable to the one that armed accords and global geopolitical balance formerly had. The goal is world competitiveness over emerging markets, among them, Latin America and Asia.... The last two U.S. administrations, from Bush to Clinton, tailored their multilateralist words to the acceptance of a new regional role resulting from trade expansion. Nevertheless, the distrust with which Washington views supra-national economic associations which are able to compete for markets or obstruct the primacy of U.S. companies is clearly visible. This is why official U.S. policy maintains its tendency to bilateralism which, on occasions, slides towards unilateralism. This is the bottom line of Clinton's offensive to renew 'fast-track' authority.... In any case, until he obtains such authority and before starting his Latin American tour, Clinton will have to break through the resistance which, from left and right, reveals the continuing

controversy
regarding the methods adopted by the United States as world leader; in
this
case, between 'internationalism' and a feeling of 'isolationism,' caused,
precisely, by some of the results of opening the U.S. economy."

BRAZIL: "Why Clinton Should Listen On FTAA"

Center-right O Estado de Sao Paulo's editorial observed (10/9): "The
interests
of the two nations (Brazil and Argentina) determine that some issues are
treated in a uniform way.... Presidents Fernando Henrique Cardoso and
Carlos
Menem should take this unique opportunity to stand their position and
support
Mercosul's position regarding the timetable of the FTAA's creation. They
should make President Clinton see, with well-grounded arguments, that
FTAA's
premature creation would put at risk the efforts and sacrifices made by
the two
nations to adjust their economies by overcoming inflation, submitting
budgets
to more rigid disciplines and

opening markets to foreign competition. The moment is good for all this
and
much more to be said personally to President Clinton. He should be

willing to
understand these arguments. After all, he will arrive in Brazil and
Argentina
without 'fast track' in his luggage, without which the FTAA will not be
negotiated.... President Clinton should understand that for both
Brazilians
and Argentineans, the FTAA's creation will only benefit if made at the
right
time. If there isn't such understanding, and the countries of the region
were
submitted to the irresistible pressure that could compromise the progress
and
well-being of its people, no amount of rhetoric will hide the existence of
'political differences' with the United States."

"Relevant Parts Of Clinton's Visit"

Center-right O Estado de Sao Paulo (10/9) remarked, "We hope that this
trip
won't be full of speeches, declarations, dinners and golf games. Both
Brasilia
and Washington have a lot of broad and specific high-level subjects to
discuss.... A relevant part of Clinton's visit should be in explaining
the
cooperation between educational matters and the modernization and the
public
administration.... Also essential are the substantial discussions about

FTAA
and Mercosul.... Also important will be Clinton's vision of the new Brazil--a
nation that marches towards the third millennium free of inflation, in the
process of privatizing state parasites, despite its social disturbances, it is
engaged in overcoming its past problems."

"U.S. Will Use All Instruments To Make All Countries Open Their Markets"

Center-right O Estado de Sao Paulo's editorial (10/7) said, "Now, with no significant rival to face it, the United States started charging for the price
of leadership, seeking in each and every part of the world the tribute it judges to be its due, in economic, social and environmental behavior that may
open the world's borders to its products and to its vision of an ideal society. Such demands...are...deliberately intended, to the point of being
included, year after year, in all national security formulations that the U.S.
president has, by law, to send to Congress. The promotion of economic prosperity is the objective of the national security for the United States, and
this means that Washington uses and will use all the instruments available to

make the allied countries, friends or rivals, open their markets to
American
products and investments. It will act as the hegemonic country that it
is.
And it will share in decisions if and when this is in its interest."

"Praise For Argentina, Again"

Independent Jornal do Brasil (10/7) stated in a piece by Claudia Antunes
on the
McLarty remarks, "The Argentine government earned, once again, the praise
of a
representative of the U.S. government.... McLarty said that Argentina was
an
unfailing ally of the United States, and pointed out that President Carlos
Menem had sent troops to the Gulf War, Bosnia and Haiti. 'This fact will
receive recognition during President Clinton's visit,' said McLarty, in a
reference to the proposed granting of special military ally status [to
Argentin
a].... In relation to Brazil, which was also praised for its action
against
last year's coup attempt in Paraguay, McLarty avoided positioning himself
on
the country's campaign for a permanent seat in the UNSC."

"Brazil Versus USA"

Liberal Folha de Sao Paulo held (10/4): "There is nothing more eloquent [said] about the ill will of the Brazilian government with respect to the FTAA, than the Brazilian Ambassador to Washington Paulo Tarso Flecha de Lima's statement, that it would cause no sadness to Brazil if the American Congress did not approve the fast track mechanism. Itamaraty's resistance is well known, with an ample business and even political support, in accepting to accelerate the elimination of the FTAA's commercial barriers. But it is not a comfortable position, for any country, to face the pressure of a United States, that is in a hurry to open up even more the Latin American markets.

If Clinton's administration stays with its hands tied due to the lack of the fast track, the pressure at least will diminish.

"And the Brazilian government will have a free hand to pursue its own agenda in this area, in which the priority instead of the FTAA,is to strengthen and expand the Mercosul."

VENEZUELA: "The Unexpected Visit"

Leading left-of-center El Nacional carried this unsigned editorial (10/9): "In general, the presidents to the north tend to pass us by for some strange reason--either because we enjoy no real priority in the continental agenda, or because they feel confident in the the international relations they have established with us. In truth, no one knows whether to attribute this to an excess of confidence or simply to an aloof diplomacy that doesn't fully grasp our common interests.... (U.S. interest in our country) is not only founded on concern for Caribbean stability (where we indeed play an important role) but also on the domestic agenda of the United States--the reliable supply of energy, a strong and permanent commercial relationship, and the struggle against drugs. We shouldn't question the importance and the primary role that we have assumed.... We have displaced the Arabs from their hegemony in the U.S. petrochemical market.... As business partners, we have achieved a growing dynamism that goes beyond the phoenician buying-and-selling of merchandise to create an active interchange that breaks antiquated corporate molds.... As for drugs, Venezuela has taken important steps to put together a serious and

suitable policy for combating the terrible danger that goes with living
next to
one of the countries most penetrated by the drug cartels....

"We fit nicely into the U.S. agenda. So, what about our agenda? Aren't
we
entitled to one? What are our priorities? If we are so successful, we
have
the right to demand proper treatment. Apparently, our brief visit from
President Clinton signifies more than a fortuitous but unexpected visit.
It
demonstrates the deeply engrained flaccidity of our foreign policy, the
weakness of a foreign ministry that should be playing an active role in
the
Caribbean and with respect to the United States, and the need to
strengthen
that office to achieve reasonable international respect. We deserve it."

BARBADOS: "Breakfast With Albright: Cautious Hope"

The pro-government Bridgetown Nation (10/9) commented: "The working
breakfast
session in New York between...Albright, and Caribbean Community foreign
ministers seems to have inspired cautious hope for some positive
developments
in U.S.-Caribbean relations in the months ahead. Albright would have been
aware of the deep feelings of disappointment and hurt among her Caribbean

counterparts, and in particular those from the banana exporting countries, over

the ruling by the World Trade Organization that now threatens the future of the

region's vital banana industry. It would have come as a relief to her and the

Community's foreign ministers and ambassadors in the United States that last

Thursday's breakfast session coincided with the encouraging news that the U.S.

Senate Trade and Finance Committee and the Senate itself were in a positive

mood to give President Bill Clinton the fast track authority he requires to

conduct U.S. foreign trade negotiations."

BOLIVIA: "Globalization Of Economies"

Conservative El Diario observed (9/28): "The globalization of the economy as a

consequence of the Cold War...has caused the continental powers to struggle to

increase their markets and protect them from the constant threats of other

economic conglomerates.... However, in spite of U.S. domestic and external

efforts, it can be seen that the subregional mechanisms of

integration...move
on quickly. The requested fast track is an interesting step for the
United
States, but its results will only be seen after October."

CHILE: "House Of Representatives Commission Votes On Fast Track"

Conservative, influential El Mercurio carried an article (10/8) written by
its
special correspondent Isabel Seguel that included excerpts from the
Davidow
briefing at the Foreign Press Center:

"In a briefing at the Washington Foreign Press Center Assistant Secretary
for
Interamerican Affairs, Jeffrey Davidow, defended in his usual grumpy
style,
President Clinton's trip to Venezuela, Brazil and Argentina....
Responding to
a question from the press, Davidow said that this visit [of President
Clinton]
emanates from existing ties and is part of a genuine effort, and is not
only a
photo opportunity as the press has stated. He confirmed that the White
House
has not yet sent to Congress its request that Argentina become a major

non-NATO

ally.... He once again added that Chile will be the first country with which

the United States will start conversations on free trade, and that Clinton would like to announce a formal opening of these (conversations) at the Summit

(of the Americas) in Santiago in April 1998."

"Difficult Time"

Ratings-leading, conservative Catholic University of Chile Television network

ran this prime-time news editorial (10/1) by conservative, international news

commentator Karin Epensberger: "Brazil's position as a regional power creates

political and commercial strains in its relations with the United States.

Brazil is Mercosur's key country, with 160 million inhabitants and a powerful

economy. Many have seen in Washington's granting Argentina major non-Nato

Ally status an attempt to hinder (the role of) Brazil as a regional leader,

and to divide Mercosur. The United States prefers an FTAA; in other words, an

inter-American trade (bloc) led by Washington, rather than by Mercosur.

Brazil
is a key ally for Chile in the balance of power in our region. President Cardoso's visit to Chile is very important at this difficult time."

COSTA RICA: "Fear Of Massive Deportations"

The lead editorial in independent Diario Extra (10/8) stressed, "If the U.S.
Senate does not make any concessions, the consequence will be massive deportations. This situation would adversely affect developments in the (Central American) isthmus, especially in the countries with the largest numbers of deportees. It is no secret that none of us is economically able to
absorb them without suffering dire consequences of all kinds. We hope that
the meeting of immigration chiefs, to be held in Costa Rica, can arrive at a
joint approach to this problem. We also hope that the U.S. government will
offer some concessions in this regard."

CUBA: "U.S. Economic War Prevents Us From Defining Dates For Goals"

Previewing the Communist Party Congress, Central Communist Party Granma (10/8)
observed: "The Draft Economic Resolution of the Fifth Party Congress conveys

many essential ideas.... First, that the prevailing and ever-increasing economic war of the United States against our country and existing world economic conditions, prevent us from defining `exact dates for the attainment
of our goals.' Second, and for the same reasons, we must be realistic and foresee that the current restrictions to foreign credits and a feasible foreign-debt solution might prevail or even increase, in the near future....
Third, that efficiency is the core of our economic policy.... And fourth, that
our changes so far and in the future will always be aimed at preserving the
socialist essence of our Revolution.... In its final part, the draft emph asizes that the right and successful enforcement of the economic policy decisively depends on the role of leaders, 'who must all be politically steadfast and loyal to the Revolution and socialism.'... The third part of the
Economic Resolution Draft makes forecasts for the next few years, although
[some believe] it should have been more accurate.... However, just and logical goals are not always realistically minded, and it is difficult to forecast what may occur in four or five years."

EUROPE

GERMANY: "Socialism Is Dead"

According to right-of-center Nordbayerischer Kurier of Bayreuth (10/10), "An
economy in tatters, a disastrous supply situation, and political refugees are
trying to find their salvation in Florida where a resistance movement, which
is willing to use force, is waiting for its moment to come. The only remaining
aim of the 'lider maximo' is to delay this moment.

"This policy has caused unpredictable damage for the pauperized country. In
Cuba itself, many Cubans are wishing for a reversal of Castro's slogan
'Socialismo o muerte'--socialism or death--into 'Socialismo esta
muerto'--socialism is dead."

BRITAIN: "Clinton Hails 'Quiet But Impressive' Revolution'"

The independent Financial Times noted about the Clinton visit (10/10): "The
White House hopes the visit will draw attention to the 'quiet but impressive
revolution' in Latin America over the last 10 years and cement ties across a
range of issues from trade, the environment and democracy to common problems
such as narcotics and crime. Billions of dollars of new American

investment is
pouring into the region, increasing American dominance among foreign investors. For this reason alone, the common agenda--on issues such as investment protection, intellectual property rights and energy--has been growing. However, trade will be the underlying theme of the visit--even though
little is expected in the way of concrete advances."

"Clinton Is Right To Visit Latin America"

An editorial in the independent Financial Times said (10/10), "The president is
right to pay his second visit to Latin America this year. Mr. Clinton's advisers have seen that the destinies of the United States and Latin America
are likely to be ever more closely entwined strategically in the years ahead.
Venezuela is already the largest foreign supplier of oil to the United States.
That position will be strengthened in the coming years as Venezuela's oil production rises. What is important in this process is that the United States
takes a full role, arguing for an FTAA that is as open as possible to third
countries. This should ensure a trade arrangement for the hemisphere that not
only meets the rules of the World Trade Organization but goes beyond

them."

ITALY: "Another Clinton Success: Road To 'Fast Track' Now Smoother"

New York correspondent Mario Platero concluded in leading business Il Sole-24 Ore (10/10): "President Clinton is leaving for his awaited mission to South America with two approvals for the extension of 'fast track' authority: after the Senate, the House Ways and Means Committee also approved compromise legislation to give the president the special powers which are necessary to negotiate new trade agreements with third countries. And there is no doubt that Latin American countries are the main candidates for an ambitious project: to expand the NAFTA agreement with Canada and Mexico to the whole American continent, thus getting a leg up on Europe.... The approval by the Senate and House committees will enable Clinton to present himself to his South American interlocutors from a stronger position than was the case a few days ago."

"U.S. Vs. Europe: On Latin American Turf?"

With the headline "Latin American Economy Running Towards Europe. Clinton Runs After It (Breathlessly)," provocative, classical liberal Il Foglio offered this scenesetter (10/9), "Though in a less spectacular way than for the Middle East, the Latin American area also is rapidly becoming an issue of conflict between the various economic and trade policies of the United States and Europe.... In the domestic arena...the controversial request for fast track authority is a background issue.... But it is not the only one. The more comprehensive problem is that the present development trend in Latin America economies risks weakening, if not excluding, a Yankee role. In recent years, Latin America, the (United States) former backyard, has been the focus of grandiose plans of continental development by the White House. On top of which there is NAFTA.... But the problem is that, beyond it, all other post-NAFTA trade pacts are still on the open seas, and there is the skepticism of an important sector because of drug trafficking....

"Another problem for Clinton...is that European countries did not miss
the
opportunity...to speed up their trade and financial market penetration,
which
was also facilitated by the deregulation and privatization processes
started
in Latin America along the lines of the American economic model."

"U.S. Senate Committee Says 'Yes' To Fast Track"

New York correspondent Mario Platero commented in leading business Il
Sole-24
Ore (10/2): "The Clinton administration has managed to make a small step
forward towards the renewal of fast track authority: The Senate Finance
Committee yesterday approved by voice vote a compromise proposal for
extending
fast-track authority until the year 2001. The proposal will now have to
be
voted by the whole Senate and, if approved, as it seems likely, there
will be
stronger pressures on the House of Representatives to convince it to also
grant its authorization. Resistance within the House, however, is much
stronger than in the Senate, both among the Republicans and the
Democrats."

BELGIUM: "Cuba Does Not Take New Roads"

The headline above ushered in this piece by Latin American affairs writer Francis Van den Berghe in independent Catholic De Standaard (10/10), "A gap has
developed between Cubans with money and Cubans without. It is a climate which
is fertile to social inequality and corruption. The PCC Congress hopes that it
will be able to control those phenomena. That is why it is emphasizing that it
has to keep a tight rein. There is no doubt that Cuba's problems would be much
lighter without the American boycott. Havana can find solace in the fact that
(that the boycott) has been denounced repeatedly by the UN. In the meantime,
however, (that the boycott) is becoming increasingly tighter and wider--especially when the European Union, under U.S. pressure, imposes a moratorium on European investments in Cuba."

EAST ASIA AND PACIFIC

CHINA: "U.S. Plans For Inter-Continental Free Trade Zone"

Wu Zhihua wrote in the official Communist Party People's Daily (Renmin Ribao,
9/29): "Always regarding Latin America as its backyard, the United States is

using the American free trade zone to bring Latin American economic

groups

(Southern Common Market, the Andean Group and the Caribbean Community)

into the

free trade zone and under U.S.' leadership. In this way, the United

States can

strengthen its ability to compete with the European Union and consolidate

its

status in the world economy. It is apparent that its plan has already

been

disrupted by the South American common market countries."

INDONESIA: "Castro Economic Reforms Offer Cuba Economic Alternative"

Leading, independent Kompas commented uner the headline above (10/10):

"Western countries have often treated Castro as an object of ridicule, a

Communist fossil that must be eradicated from the earth. And the United

States has failed in its attempts to topple Castro.... We view Cuba as

having

been treated badly by the West and the United States. We support Castro's

endeavors to bring about economic reform, while hoping that Cuba will

manage to

overcome the difficulties it has been facing."

##==================== ATTACHMENT 1 ====================
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#XP\ P6QyP#Bill Richey, Branch Chief Media Reaction (R/MR), #:x2PkCXP# #XP\
P6QyP#Richey@usia.gov, (202) 6196511 Ann Pincus,
Director, (2
02) 6196511

X` hp x (##Xn\ P6Qy&P#Friday, October 10, 1997
X` hp x (#%
CLINTON TO VENEZUELA, BRAZIL, ARGENTINA: TRADE, SECURITY ISSUES TOP LIST

X` hp x (#As President Clinton prepares to depart Sunday for his second trip t
o Latin
America this year, scenesetters in Latin America, Europe and Asia addre
ssed a
variety of issues dominating U.S. relations with its southern neighborsw
ith
trade matters and security relations receiving the most scrutiny. Perhaps
not so surprisingly, the prevailing sentiment among commentators in Latin

Amer
ica was that regional leaders must deal with the superpower from a
position of
strength and be more assertive in protecting their nations'
interests and sover
eignty. Caracas's leading leftofcenter El Nacional, for
example, echoed the se
ntiment of other media voices: "We fit nicely into the
U.S. agenda. So, what
about our agenda?... We have the right to demand
proper treatment." A number
of other observers welcomed the president's
initiative in coming to visit the r
egion for the second time this year.
Several were hopeful that Mr. Clinton wo
uld listen to the concerns of the
Latin Americans and that his meetings with hi
s counterparts would have
substantive results. Centerright O Estado de Sao Pau
lo said the Clinton
tour must go beyond "speeches, declarations, dinners and go
lf games" and deal
with "a lot of broad and specific highlevel subjects." Follo
wing are major
themes of the commentary:

X` hp x (#TRADE: Argentine, Brazilian and other dailies dwelled on what they s
aw as
the looming struggle between Washington and Mercosurthe regional trade
pa
ctover how to proceed with integration of trade markets throughout the
Americas
. In Brazilthe country seen as the lynchpin trading partner in
Mercosurcommen
tators continued to stress that the trading bloc members were
not ready to ente
r into any free trade area of the Americas (FTAA) agreement
until sufficient ec
onomic progress has been made in those countries. They
saw the U.S. pushing fo
r FTAA on its own terms and warned that the superpower
was making a grab for ec
onomic domination in the region. Centerright O
Estado de Sao Paulo maintained:
"Presidents Fernando Henrique Cardoso and
Carlos Menem should take this uniq
ue opportunity to stand by their position
and support Mercosul's position regar
ding the timetable of the FTAA's
creation.... President Clinton should understa
nd that for both Brazilians and
Argentineans, the FTAA's creation will only be
beneficial if made at the
right time." All pundits noted that President Clin

ton is traveling to Latin
America without fast track authority to negotiate tra
de agreements. Some
wondered what impact that would have on the president's ab
ility to make
progress on important trade issues. However, at least one analys
t in Brazil
rejoiced that without fast track, the president's "hands are tied..
.. And
the Brazilian government will have a free hand to pursue its own agend
a in
this area, in which the priority instead of the FTAA, is to strengthen an
d
expand the Mercosul." Meanwhile, U.S.European trade rivalries dominated
Mil
an's provocative, classical liberal Il Foglio's coverage of the visit,
with the
headline "Latin American Economy Running Towards Europe."
SECURITY: Journalists also focused on the U.S.' intention of granting
Argentin
a major nonNATO ally status. There was some expression of
irritation among the
analysts in countries neighboring Argentina.
Argentinean papers for the most
part, however, viewed the U.S. decision
positively and as a symbol of the "'Co
pernican' revolution taking place in
the relations between our country and the
most important power in the region
and the world."
This survey is based on 33 reports from 14 countries, September 27October
10.
EDITORS: Diana McCaffrey and Mildred Sola Neely

LATIN AMERICA

ARGENTINA: "Leftists Against Clinton: Most Important Campaign Rally"

Esteban Schmidt, political analyst for leftofcenter Pagina 12, said (10/9):
"
Next Thursday, October 16, when Bill Clinton dines at the Rural Fair in
Palermo
with Argentina's top thousand leaders, key leftist forces will hold
their most
important political activity this year, after the May 1
celebration. It will
be a rally against the visit of the U.S. president.
'Thirty years after Che's
death, Clinton and IMF, Out' is the slogan agreed
upon by the parties involved,
which, for this rally, showed a natural bent
for accords that they regretfully
lack when they need to show they are a
unified electoral alternative.... One

of the major concerns of the
organizers is the possible action of rioters durin
g the rally and the
following stop at the doors of the Rural. In order to avoi
d this
possibility, they say there will be strict internal security measures an
d
that 'we will not go beyond the police's official ropes, wherever they are
di
splayed.'"

"Clinton Appointed Argentina MNNA Of U.S."

Washington correspondent Ana Baron filed for leading Clarin (10/9): "The
Clin
ton administration took another step forward in the process of appointing
Argen
tina as the United States' MNNA (major nonNATO ally status) by sending
a letter
to Congress with that request. The letter with Clinton's support is
addressed
to Senator Jesse Helms.... Argentina's appointment as MNNA
recognizes the im
portance the United States grants to Argentine contributions
to UN peace troops
.... In spite of the fact that such status is more of a
political nature than
anything else, until the last minute there were
legislators who were reluctant
about Clinton's granting Argentina such
status."

"Contrast Between Argentina, Davidow On Ally Status"

Sergio Serrichio, Washingtonbased correspondent of business/financial Buenos
A
ires Economico, observed (10/8), "The importance given by the Argentine
governm
ent to the 'great nonNATO alliance' is in contrast with (Secretary)
Davidow's o
wn caution when he addressed the issue. When requested by Buenos
Aires Economi
co to 'define the term'... (Davidow) said it was a recognition
of Argentine par
ticipation in 'at least eight' international peace
operations, and (he) added t
hat (Argentina's) nonNATO ally status has a
'different meaning' than the one pr
eviously granted in other cases.... 'It is
not a strategic alliance nor does it
imply any kind of mutual defense
obligation,' Davidow explained."

"The Other Name"

An editorial in progovernment La Prensa held (10/8), "The visitor [Clinton] wi
ll find a high hurdle in the Southern Cone, where Mercosur stands up as an alli
ance that does not want to be damaged by the commercial attack of the North....
The United States, an unparalleled example of liberties, must defeat its domes
tic protectionists, who seem not to have understood that free trade is a fruitf
ul avenue, as long as a balanced twoway traffic is guaranteed. Otherwise, libe
rty will only belong to the stronger one. And that has another name."

"U.S. And Our National Interest"

Rogelio Frigerio, head of the "Movimiento de Integracion y Desarrollo" politic
al party, wrote (10/8) in an oped piece in dailyofrecord La Nacion, "With or wi
thout fast track, Washington will attempt to make fewer concessions than the on
es demanded by our countries. This is being perceived in Brazil.... In turn,
in Argentina there are no clear official explanations and everything leads one
to believe that Washington thinks of Buenos Aires as a kind of collaborator to
break the Brazilian negotiating hardline."
X` hp x (#
X` hp x (#

"Enormous Significance Of Clinton Visit, NonNATO Ally Status"
X` hp x (#
An opinion piece by Guido Di Tella, Argentine foreign minister, in leading Cl
arin (10/6), said, "We, Argentines, will receive the visit of the president of
the United States in the middle of this month, and before that date he will h
ave presented...the proposal of the executive branch to grant Argentina the sta
tus of nonNATO strategic ally. Both facts are of enormous significance: They
are the symbol of the 'Copernican' revolution taking place in the relations bet
ween our country and the most important power in the region and the world....
We have heard some opposition voices who recommend that we relinquish the con
dition of being an ally of the United

States and (they) assure that these ties
are contradictory with the ones we
maintain with our Mercosur neighbors. This
is a 'light' vision of the old
'antiimperialism' of the '60s."

"Clinton Could Express Objections To Mercosur"

Maria O'Donnell, political columnist at dailyofrecord La Nacion (10/7), had th
is to say about McLarty's Worldnet remarks: "Even though he praised regional
blocs, McLarty said there is 'concern' over its effects on trade.... What wil
l Bill Clinton say about Mercosur during his upcoming visit to Argentina? His
words may not be of praise. Because, according to Clinton's special envoy for
the Americas, Thomas McLarty, 'trade groups, such as NAFTA, Mercosur or the A
ndean Pact must facilitate trade and not change its direction.'" The columnist
emphasized, "McLarty expresses, therefore, the views of some sectors of the D
emocratic administration which think Mercosur is an obstacle to FTAA.... The c
onstruction of FTAA is a key issue of Clinton's hemispheric policy and it will
be 'the main topic' in next week's tour to the region."

"Clinton Will Express His Support For Mercosur"

German Sope9a, deputy managing editor of dailyofrecord La Nacion, held (10/6)
that President Clinton will come "with a soothing message: He will explicitly s
ay that the United States will support the growth of Mercosur and (he) will ad
d that there will not be a conflict between the regional bloc and a future Ame
rican free trade zone." La Nacion considered that Clinton "will dispel all the
doubts that may have arisen these past months."

"What Is Clinton Coming For?"

Leading Clarin commented (10/5): "The fact that Clinton is kindly praising Me
rcosur does not mean that he is not coming to obtain certain advantages for FT
AA.... Few of the Latin American governments believe that anything similar to
a common market can exist before 2005.... Corruption is another

White House
concern that Clinton is bringing in his briefcase, taken in the
framework of i
nequality to conclude business deals but not necessarily
within the framework
of morality.... The Argentine Foreign Ministry knows
that the issue of corrup
tion is important to Clinton, but his officials have
not yet given clues as to
how the issue will be posed."

"Is Hemispheric Free Trade Convenient For Us?"

Julio Sevares, leading Clarin's analyst on international economic issues,
wrot
e (10/3): "Everything leads us to assume that Argentina would grant more
benef
its than those it would receive. At present, the most important and
promising
Argentine market is Mercosur.... During the period 199496,
exports to Mercosur
grew an average of 31.3 percent a year, representing 39
percent of total forei
gn sales. Argentina had, in addition, a positive trade
balance of $2.314 billio
n. In the same period, exports to NAFTA grew less
than one half, at an averag
e rate of 13.8 percent, representing 10.5 percent
of the total sales. The avera
ge trade balance was negative, at $2.939
billion. Trade with the EU grew in a
smaller proportion. Trade expectations
of Latin American countries visavis a r
egional free trade area depend on
their exporting capacity, and in terms of Arg
entina, there aren't that many
possibilities....

"The (regional) differences are of decisive importance visavis the U.S.
project
of trade liberalization. The differences reflect the weakness of the
ties wov
en during recent years in the Southern Cone and reduce the
possibility of faci
ng joint negotiations instead of doing so bilaterally,
which is what the Unite
d States prefers to do, following an old and
convenient tradition."

"Barely a Battle, But Not War"

Washington correspondent Ana Baron wrote in leading Clarin (10/2):
"Yesterday

's victory in the Senate's Finance Committee [voting to support renewal for fas
t track authority for President Clinton] is barely a battle in a long war in w
hich nothing seems to indicate, at least today, that the Democratic administra
tion will win. This not only means that Clinton will travel to Latin America i
n 10 days without fasttrack authority, but that he will also arrive at the upco
ming Summit of the Americas to be held in Chile in April next year emptyhanded
as well. According to the agenda for that summit, the key issue must be free
trade and particularly the establishment of a free trade area in the entire he
misphere. But without fast track, the United States will not be able to start n
egotiating Chile's accession to NAFTA. To say nothing about sitting down to di
scuss a hemispheric free trade area. This, undoubtedly, will do a great deal to favor the position of
Brazil, a country which has been questioning the way in which the U.S. wants
to impose its style on FTAA negotiations. And will als
o favor all Latin American trade partners, especially Europe and Japan.... No
t only is Chile important to the United States in terms of an eventual NAFTA p
artner in the framework of a strategy aimed at enlarging that trade agreement.
It is also a symbol of the possibilities of moving forward in a region which has slowly
returned to the agendas of the North, thanks to the growing circula
tion of money as a consequence of economic stability and integration processes
.
This is one of the various aspects which explains Clinton's first trip to L
atin America. The problem is that estimates were miscalculated and the saddleb
ags will be less full than expected."

"The 'FastTrack' Clinton Wants"

An editorial in leading Clarin read (9/27): "The fact that the key instrumen
t of U.S. foreign policy for Latin America is, at present, a presidential auth
ority to sign free trade accords with other countries marks how far the strateg
ic interests of the area's leading power have shifted and

what is its probable
influence in our region. The 'fasttrack' authority
occupies, in fact, a key pos
ition in U.S. 'postCold War' foreign policy,
comparable to the one that armed
accords and global geopolitical balance
formerly had. The goal is world compet
itiveness over emerging markets, among
them, Latin America and Asia.... The l
ast two U.S. administrations, from
Bush to Clinton, tailored their multilatera
list words to the acceptance of a
new regional role resulting from trade expans
ion. Nevertheless, the distrust
with which Washington views supranational econ
omic associations which are
able to compete for markets or obstruct the primacy
of U.S. companies is
clearly visible. This is why official U.S. policy maintai
ns its tendency to
bilateralism which, on occasions, slides towards unilateral
ism. This is the
bottom line of Clinton's offensive to renew 'fasttrack' autho
rity.... In
any case, until he obtains such authority and before starting his
Latin
American tour, Clinton will have to break through the resistance which
, from
left and right, reveals the continuing controversy regarding the method
s
adopted by the United States as world leader; in this case, between
'internat
ionalism' and a feeling of 'isolationism,' caused, precisely, by
some of the re
sults of opening the U.S. economy."
X` hp x (#
BRAZIL: "Why Clinton Should Listen On FTAA"

Centerright O Estado de Sao Paulo's editorial observed (10/9): "The
interests
of the two nations (Brazil and Argentina) determine that some
issues are treat
ed in a uniform way.... Presidents Fernando Henrique
Cardoso and Carlos Menem
should take this unique opportunity to stand their
position and support Mercos
ul's position regarding the timetable of the
FTAA's creation. They should make
President Clinton see, with wellgrounded
arguments, that FTAA's premature cre
ation would put at risk the efforts and
sacrifices made by the two nations to a
djust their economies by overcoming
inflation, submitting budgets to more rigi

d disciplines and

opening markets to foreign competition. The moment is good for all this and mu
ch more to be said personally to President Clinton. He should be willing to un
derstand these arguments. After all, he will arrive in Brazil and Argentina wi
thout 'fast track' in his luggage, without which the FTAA will not be negotiate
d.... President Clinton should understand that for both Brazilians and Argenti
neans, the FTAA's creation will only benefit if made at the right time. If the
re isn't such understanding, and the countries of the region were submitted to
the irresistible pressure that could compromise the progress and wellbeing of i
ts people, no amount of rhetoric will hide the existence of 'political differen
ces' with the United States."
X` hp x (#
"Relevant Parts Of Clinton's Visit"

Centerright O Estado de Sao Paulo (10/9) remarked, "We hope that this trip won
't be full of speeches, declarations, dinners and golf games. Both Brasilia an
d Washington have a lot of broad and specific highlevel subjects to discuss...
. A relevant part of Clinton's visit should be in explaining the cooperation b
etween educational matters and the modernization and the public administration.
... Also essential are the substantial discussions about FTAA and Mercosul....
Also important will be Clinton's vision of the new Brazila nation that march
es towards the third millennium free of inflation, in the process of privatizin
g state parasites, despite its social disturbances, it is engaged in overcomin
g its past problems."

"U.S. Will Use All Instruments To Make All Countries Open Their Markets"

Centerright O Estado de Sao Paulo's editorial (10/7) said, "Now, with no signi
ficant rival to face it, the United States started charging for the price of l
eadership, seeking in each and every part of the world the tribute it judges t
o be its due, in economic, social and environmental behavior that may open the

world's borders to its products and to its vision of an ideal society. Such demands...are...deliberately intended, to the point of being included, year af ter year, in all national security formulations that the U.S. president has, by law, to send to Congress. The promotion of economic prosperity is the object ive of the national security for the United States, and this means that Washing ton uses and will use all the instruments available to make the allied countri es, friends or rivals, open their markets to American products and investments . It will act as the hegemonic country that it is. And it will share in deci sions if and when this is in its interest."

"Praise For Argentina, Again"

Independent Jornal do Brasil (10/7) stated in a piece by Claudia Antunes on th e McLarty remarks, "The Argentine government earned, once again, the praise of a representative of the U.S. government.... McLarty said that Argentina was a n unfailing ally of the United States, and pointed out that President Carlos Me nem had sent troops to the Gulf War, Bosnia and Haiti. 'This fact will receive recognition during President Clinton's visit,' said McLarty, in a reference to the proposed granting of special military ally status [to Argentina].... In r elation to Brazil, which was also praised for its action against last year's co up attempt in Paraguay, McLarty avoided positioning himself on the country's ca mpaign for a permanent seat in the UNSC."

X` hp x (# "Brazil Versus USA"

Liberal Folha de Sao Paulo held (10/4): "There is nothing more eloquent [sai d] about the ill will of the Brazilian government with respect to the FTAA, tha n the Brazilian Ambassador to Washington Paulo Tarso Flecha de Lima's statemen t, that it would cause no sadness to Brazil if the American Congress did not a pprove the fast track mechanism. Itamaraty's resistance is well known, with

an ample business and even political support, in
accepting to accelerate the e
limination of the FTAA's commercial barriers.
But it is not a comfortable po
sition, for any country, to face the pressure
of a United States, that is in a
hurry to open up even more the Latin
American markets. If Clinton's administ
ration stays with its hands tied due
to the lack of the fast track, the pressu
re at least will diminish.

"And the Brazilian government will have a free hand to pursue its own agenda
i
n this area, in which the priority instead of the FTAA,is to strengthen and
e
xpand the Mercosul."

X` hp x (# VENEZUELA: "The Unexpected Visit"

Leading leftofcenter El Nacional carried this unsigned editorial (10/9):
"In
general, the presidents to the north tend to pass us by for some strange
reason
either because we enjoy no real priority in the continental agenda,
or because
they feel confident in the the international relations they have
established wi
th us. In truth, no one knows whether to attribute this to an
excess of confid
ence or simply to an aloof diplomacy that doesn't fully grasp
our common intere
sts.... (U.S. interest in our country) is not only founded
on concern for Cari
bbean stability (where we indeed play an important role)
but also on the domest
ic agenda of the United Statesthe reliable supply of
energy, a strong and perma
nent commercial relationship, and the struggle
against drugs. We shouldn't que
stion the importance and the primary role
that we have assumed.... We have dis
placed the Arabs from their hegemony in
the U.S. petrochemical market.... As b
usiness partners, we have achieved a
growing dynamism that goes beyond the phoe
nician buyingandselling of
merchandise to create an active interchange that bre
aks antiquated corporate
molds.... As for drugs, Venezuela has taken important
steps to put together
a serious and suitable policy for combating the terrible
danger that goes

with living next to one of the countries most penetrated by t
he drug
cartels....

"We fit nicely into the U.S. agenda. So, what about our agenda? Aren't we
ent
itled to one? What are our priorities? If we are so successful, we have
the r
ight to demand proper treatment. Apparently, our brief visit from
President C
linton signifies more than a fortuitous but unexpected visit. It
demonstrates
the deeply engrained flaccidity of our foreign policy, the
weakness of a foreig
n ministry that should be playing an active role in the
Caribbean and with resp
ect to the United States, and the need to strengthen
that office to achieve rea
sonable international respect. We deserve it."

BARBADOS: "Breakfast With Albright: Cautious Hope"

The progovernment Bridgetown Nation (10/9) commented: "The working
breakfast
session in New York between...Albright, and Caribbean Community
foreign ministe
rs seems to have inspired cautious hope for some positive
developments in U.S.
Caribbean relations in the months ahead. Albright would
have been aware of the
deep feelings of disappointment and hurt among her
Caribbean counterparts, an
d in particular those from the banana exporting
countries, over the ruling by t
he World Trade Organization that now threatens
the future of the region's vital
banana industry. It would have come as a
relief to her and the Community's f
oreign ministers and ambassadors in the
United States that last Thursday's bre
akfast session coincided with the
encouraging news that the U.S. Senate Trade a
nd Finance Committee and the
Senate itself were in a positive mood to give Pre
sident Bill Clinton the
fast track authority he requires to conduct U.S. foreig
n trade negotiations."

BOLIVIA: "Globalization Of Economies"

Conservative El Diario observed (9/28): "The globalization of the economy as
a consequence of the Cold War...has caused the continental powers to
struggle
to increase their markets and protect them from the constant

threats of other
economic conglomerates.... However, in spite of U.S.
domestic and external e
fforts, it can be seen that the subregional
mechanisms of integration...move on
quickly. The requested fast track is an
interesting step for the United Stat
es, but its results will only be seen
after October."

CHILE: "House Of Representatives Commission Votes On Fast Track"
X` hp x (#
Conservative, influential El Mercurio carried an article (10/8) written by
its
special correspondent Isabel Seguel that included excerpts from the
Davidow br
iefing at the Foreign Press Center:

"In a briefing at the Washington Foreign Press Center Assistant Secretary for
I
nteramerican Affairs, Jeffrey Davidow, defended in his usual grumpy style,
Pres
ident Clinton's trip to Venezuela, Brazil and Argentina.... Responding
to a qu
estion from the press, Davidow said that this visit [of President
Clinton] ema
nates from existing ties and is part of a genuine effort, and is
not only a pho
to opportunity as the press has stated. He confirmed that the
White House has
not yet sent to Congress its request that Argentina become a
major nonNATO ally
.... He once again added that Chile will be the first
country with which the U
nited States will start conversations on free trade,
and that Clinton would lik
e to announce a formal opening of these
(conversations) at the Summit (of the A
mericas) in Santiago in April 1998."

"Difficult Time"

Ratingsleading, conservative Catholic University of Chile Television
network
ran this primetime news editorial (10/1) by conservative,
international news
commentator Karin Epensberger: "Brazil's position as a
regional power creates
political and commercial strains in its relations
with the United States. Bra
zil is Mercosur's key country, with 160 million
inhabitants and a powerful ec
onomy. Many have seen in Washington's granting

Argentina major nonNato Ally s
tatus an attempt to hinder (the role of)
Brazil as a regional leader, and to d
ivide Mercosur. The United States
prefers an FTAA; in other words, an interAm
erican trade (bloc) led by
Washington, rather than by Mercosur. Brazil is a ke
y ally for Chile in the
balance of power in our region. President Cardoso's v
isit to Chile is very
important at this difficult time."

X` hp x (#COSTA RICA: "Fear Of Massive Deportations"

The lead editorial in independent Diario Extra (10/8) stressed, "If the U.S.
S
enate does not make any concessions, the consequence will be massive
deportatio
ns. This situation would adversely affect developments in the
(Central American
) isthmus, especially in the countries with the largest
numbers of deportees.
It is no secret that none of us is economically able
to absorb them without su
ffering dire consequences of all kinds. We hope
that the meeting of immigrati
on chiefs, to be held in Costa Rica, can arrive
at a joint approach to this pro
blem. We also hope that the U.S. government
will offer some concessions in thi
s regard."

CUBA: "U.S. Economic War Prevents Us From Defining Dates For Goals"

Previewing the Communist Party Congress, Central Communist Party Granma
(10/8
) observed: "The Draft Economic Resolution of the Fifth Party Congress
conveys
many essential ideas.... First, that the prevailing and
everincreasing economi
c war of the United States against our country and
existing world economic con
ditions, prevent us from defining `exact dates
for the attainment of our goals
.' Second, and for the same reasons, we must
be realistic and foresee that th
e current restrictions to foreign credits
and a feasible foreigndebt solution m
ight prevail or even increase, in the
near future.... Third, that efficiency
is the core of our economic
policy.... And fourth, that our changes so far and
in the future will always
be aimed at preserving the socialist essence of our

Revolution.... In its
final part, the draft emphasizes that the right and suc
cessful enforcement
of the economic policy decisively depends on the role of l
eaders, 'who must
all be politically steadfast and loyal to the Revolution and
socialism.'...
The third part of the Economic Resolution Draft makes forecasts
for the next
few years, although [some believe] it should have been more acc
urate....
However, just and logical goals are not always realistically minded,
and it
is difficult to forecast what may occur in four or five years."

EUROPE

GERMANY: "Socialism Is Dead"

According to rightofcenter Nordbayerischer Kurier of Bayreuth (10/10), "An
eco
nomy in tatters, a disastrous supply situation, and political refugees are
tryi
ng to find their salvation in Florida where a resistance movement, which
is wi
lling to use force, is waiting for its moment to come. The only
remaining aim
of the 'lider maximo' is to delay this moment.

"This policy has caused unpredictable damage for the pauperized country. In
C
uba itself, many Cubans are wishing for a reversal of Castro's slogan
'Socialis
mo o muerte'socialism or deathinto 'Socialismo esta
muerto'socialism is dead."

BRITAIN: "Clinton Hails 'Quiet But Impressive' Revolution"'

The independent Financial Times noted about the Clinton visit (10/10): "The
Wh
ite House hopes the visit will draw attention to the 'quiet but impressive
revo
lution' in Latin America over the last 10 years and cement ties across a
range
of issues from trade, the environment and democracy to common problems
such as
narcotics and crime. Billions of dollars of new American investment
is pouring
into the region, increasing American dominance among foreign
investors. For t
his reason alone, the common agendaon issues such as
investment protection, int
ellectual property rights and energyhas been
growing. However, trade will be t

he underlying theme of the visiteven
though little is expected in the way of co
ncrete advances."

"Clinton Is Right To Visit Latin America"

An editorial in the independent Financial Times said (10/10), "The president
i
s right to pay his second visit to Latin America this year. Mr. Clinton's
advi
sers have seen that the destinies of the United States and Latin America
are li
kely to be ever more closely entwined strategically in the years ahead.
Venezu
ela is already the largest foreign supplier of oil to the United
States. That
position will be strengthened in the coming years as
Venezuela's oil production
rises. What is important in this process is that
the United States takes a fu
ll role, arguing for an FTAA that is as open as
possible to third countries. T
his should ensure a trade arrangement for the
hemisphere that not only meets th
e rules of the World Trade Organization but
goes beyond them."

X` hp x (# ITALY: "Another Clinton Success: Road To 'Fast Track' Now Smoothe
r"
X` hp x (#
New York correspondent Mario Platero concluded in leading business Il Sole24
O
re (10/10): "President Clinton is leaving for his awaited mission to South
Ame
rica with two approvals for the extension of 'fast track' authority: after
the
Senate, the House Ways and Means Committee also approved compromise
legislation
to give the president the special powers which are necessary to
negotiate new
trade agreements with third countries. And there is no doubt
that Latin Americ
an countries are the main candidates for an ambitious
project: to expand the N
AFTA agreement with Canada and Mexico to the whole
American continent, thus get
ting a leg up on Europe.... The approval by the
Senate and House committees wi
ll enable Clinton to present himself to his
South American interlocutors from a
stronger position than was the case a few
days ago."

"U.S. Vs. Europe: On Latin American Turf?"

X` hp x (#
With the headline "Latin American Economy Running Towards Europe. Clinton Run
s After It (Breathlessly)," provocative, classical liberal Il Foglio offered t
his scenesetter (10/9), "Though in a less spectacular way than for the Middle
East, the Latin American area also is rapidly becoming an issue of conflict b
etween the various economic and trade policies of the United States and Europe
.... In the domestic arena...the controversial request for fast track authorit
y is a background issue.... But it is not the only one. The more comprehensi
ve problem is that the present development trend in Latin America economies ri
sks weakening, if not excluding, a Yankee role. In recent years, Latin Americ
a, the (United States) former backyard, has been the focus of grandiose plans
of continental development by the White House. On top of which there is NAFTA
.... But the problem is that, beyond it, all other postNAFTA trade pacts are s
till on the open seas, and there is the skepticism of an important sector becau
se of drug trafficking....

"Another problem for Clinton...is that European countries did not miss the opp
ortunity...to speed up their trade and financial market penetration, which was
also facilitated by the deregulation and privatization processes started in La
tin America along the lines of the American economic model."

"U.S. Senate Committee Says 'Yes' To Fast Track"

X` hp x (#
New York correspondent Mario Platero commented in leading business Il Sole24
Ore (10/2): "The Clinton administration has managed to make a small step forw
ard towards the renewal of fast track authority: The Senate Finance Committe
e yesterday approved by voice vote a compromise proposal for extending fasttra
ck authority until the year 2001. The proposal will now have to be voted by t
he whole Senate and, if approved, as it seems likely, there will be stronger p
ressures on the House of Representatives to convince

it to also grant its auth
orization. Resistance within the House, however,
is much stronger than in the
Senate, both among the Republicans and the
Democrats."

BELGIUM: "Cuba Does Not Take New Roads"

The headline above ushered in this piece by Latin American affairs writer
Fran
cis Van den Berghe in independent Catholic De Standaard (10/10), "A gap
has dev
eloped between Cubans with money and Cubans without. It is a climate
which is
fertile to social inequality and corruption. The PCC Congress hopes
that it wi
ll be able to control those phenomena. That is why it is
emphasizing that it h
as to keep a tight rein. There is no doubt that Cuba's
problems would be much
lighter without the American boycott. Havana can find
solace in the fact that
(that the boycott) has been denounced repeatedly by
the UN. In the meantime, h
owever, (that the boycott) is becoming
increasingly tighter and widerespecially
when the European Union, under
U.S. pressure, imposes a moratorium on European
investments in Cuba."

EAST ASIA AND PACIFIC
X` hp x (#
X` hp x (# CHINA: "U.S. Plans For InterContinental Free Trade Zone"

Wu Zhihua wrote in the official Communist Party People's Daily (Renmin
Ribao,
9/29): "Always regarding Latin America as its backyard, the United
States is u
sing the American free trade zone to bring Latin American
economic groups (Sou
thern Common Market, the Andean Group and the Caribbean
Community) into the fre
e trade zone and under U.S.' leadership. In this way,
the United States can st
rengthen its ability to compete with the European
Union and consolidate its st
atus in the world economy. It is apparent that
its plan has already been disr
upted by the South American common market
countries."

INDONESIA: "Castro Economic Reforms Offer Cuba Economic Alternative"

Leading, independent Kompas commented uner the headline above (10/10):

"Weste
rn countries have often treated Castro as an object of ridicule, a Communist fo
ssil that must be eradicated from the earth. And the United States has failed
in its attempts to topple Castro.... We view Cuba as having been treated badl
y by the West and the United States. We support Castro's endeavors to bring ab
out economic reform, while hoping that Cuba will manage to overcome the difficu
lties it has been facing."

##
X` hp x (#%#Xx\ P6QyXP#

================== END ATTACHMENT 2 ==================

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: clfoote (clfoote@leontief.fas.harvard.edu@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:17-OCT-1997 15:04:00.00

SUBJECT: Re: who would have thought...

TO: William J. Antholis (William J. Antholis@EOP [UNKNOWN])
READ:UNKNOWN

TEXT:
On Fri, 17 Oct 1997, Anthony, Adam wrote:

> International Monetary Fund.

The IMF is not the most popular organization in Latin America,

because they have a reputation of making countries slash

welfare spending and other subsidies as a condition of economic

aid. One of my students is doing a senior thesis on the effects

of IMF stabilization policies on infant mortality.

Chris Foote (clfoote@harvard.edu)

Dept of Economics, Harvard University,

Littauer Center, Cambridge, MA 02138 (617) 495-0968==================== ATTACHMENT 1
=====================

ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)
id <01IOX11BE1MO00PAPO@PMDF.EOP.GOV> for "William J. Antholis"@oa.eop.gov;
Fri, 17 Oct 1997 14:48:34 -0400 (EDT)
Received: from storm.eop.gov (storm.eop.gov)
by PMDF.EOP.GOV (PMDF V5.0-4 #6879) id <01IOX119X9K000LKCR@PMDF.EOP.GOV> for
William_J._Antholis@oa.eop.gov; Fri, 17 Oct 1997 14:48:30 -0400 (EDT)
Received: from leontief.fas.harvard.edu ([140.247.210.40])
by STORM.EOP.GOV (PMDF V5.1-7 #6879)
with ESMTP id <01IOX10JOASS000SLO@STORM.EOP.GOV> for

William_J._Antholis@oa.eop.gov; Fri, 17 Oct 1997 14:47:56 -0400 (EDT)
Received: (from clfoote@localhost) by leontief.fas.harvard.edu (8.7.6/8.7.3)
id PAA03585; Fri, 17 Oct 1997 15:04:24 -0400 (EDT)
================== END ATTACHMENT 1 ==================

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Mailer-Daemon (Mailer-Daemon@dol.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:28-DEC-1997 22:17:00.00

SUBJECT: Returned mail: User unknown

TO: Dag Vega (Dag Vega@EOP [UNKNOWN])
READ:UNKNOWN

TEXT:
----- Transcript of session follows -----

550 <gamble-bennet@dol.gov>... User unknown

----- Unsent message follows -----

Received: by dol.gov (5.x/SMI-SVR4)

id AA17675; Sun, 28 Dec 1997 21:17:57 -0500

Errors-To: <Dag_Vega@oa.eop.gov>

Received: from gatekeeper.eop.gov(198.137.241.3) by gatekeeper via smap

(V1.3)

id sma017661; Sun Dec 28 21:17:46 1997

Received: from pmdf.eop.gov by gatekeeper.eop.gov;

(5.65v3.2/1.1.8.2/17Oct95-0424PM)

id AA25432; Sun, 28 Dec 1997 21:19:50 -0500

Received: from mr.eop.gov by PMDF.EOP.GOV (PMDF V5.0-4 #6879)

id <01IRPZO69K0G00IFYC@PMDF.EOP.GOV> for gamble-bennet@dol.gov; Sun,

28 Dec 1997 21:19:45 -0500 (EST)

Received: with PMDF-MR; Sun, 28 Dec 1997 21:19:39 -0500 (EST)

Mr-Received: by mta EOPMRX; Relayed; Sun, 28 Dec 1997 21:19:39 -0500

Alternate-Recipient: prohibited

Disclose-Recipients: prohibited

Date: Sun, 28 Dec 1997 21:13:00 -0500 (EST)

From: Dag_Vega@oa.eop.gov

Subject: FOX News Sunday, 12/28/97

To: ABERNATHY_P@a1.eop.gov, ANDERSON_L@a1.eop.gov, BERNAL_D@a1.eop.gov,

BLICKSTEIN_J@a1.eop.gov, COHEN_SA@a1.eop.gov, CRISCI_M@a1.eop.gov,

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WALDMAN_M@a1.eop.gov, gamble-bennet@dol.gov,

Brenda_M._Anders@oa.eop.gov, Megan_C._Moloney@oa.eop.gov,

Jonathan_Murchinson@oa.eop.gov, Joseph_P._Lockhart@oa.eop.gov,

Jake_Siewert@oa.eop.gov, Jordan_Tamagni@oa.eop.gov,

Beverly_J._Barnes@oa.eop.gov, Brian_D._Smith@oa.eop.gov,

Elizabeth_R._Newman@oa.eop.gov, Julia_M._Payne@oa.eop.gov,

Julianne_B._Corbett@oa.eop.gov, Jeffrey_M._Smith@oa.eop.gov,

June_Shih@oa.eop.gov, Lowell_A._Weiss@oa.eop.gov,

Estela_Mendoza@oa.eop.gov, Jonathan_A._Kaplan@oa.eop.gov,

Jonathan_Orszag@oa.eop.gov, Thurgood_Marshall_Jr@oa.eop.gov,

Kara_Gerhardt@oa.eop.gov, Elisabeth_Steele@oa.eop.gov, Jennifer_Ferguson@oa.eop.gov, Mark_D._Neschis@oa.eop.gov,

Eleanor_S._Parker@oa.eop.gov, Matthew_I._Fraidin@ovp.eop.gov,

David_K._Chai@oa.eop.gov, Ruby_Shamir@oa.eop.gov,

Nanda_Chitre@oa.eop.gov, Amy_W._Tobe@oa.eop.gov,

Lawrence_J._Haas@oa.eop.gov, David_S._Beaubaire@oa.eop.gov,

Lisa_J._Levin@oa.eop.gov, Peter_A._Weissman@oa.eop.gov,

William_A._Halter@oa.eop.gov, Eli_G._Attie@ovp.eop.gov

Message-Id: <01IRPZO7HHT200IFYC@mr.eop.gov>

Mime-Version: 1.0

Content-Type: TEXT/PLAIN; CHARSET=US-ASCII

Content-Transfer-Encoding: 7BIT

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X400-Mts-Identifier: [;93911282217991/1107070@EOPMRX]

Hop-Count: 1

Message Creation Date was at 28-DEC-1997 21:13:00

FOX News Sunday

Aired on DECEMBER 28, 1997

Guests: FRANK KEATING (R), GOVERNOR OF OKLAHOMA

JACK KEMP, FORMER REPUBLICAN VICE PRESIDENTIAL NOMINEE

RALPH REED, GOP CONSULTANT and REP. FROST (R-TX)

SNOW: Terry Nichols not guilty of murder. Has justice been served in

the

Oklahoma City bombing? We'll ask Oklahoma governor Frank Keating what's
next.

Sluggish retail sales. Korean bailouts. Race relations. Global warming.
If
you want to talk about all four, who are you going to call? Jack Kemp, of
course.

(BELL RINGING)

And they're off and running for the '98 elections. Representative
Martin
Frost, chairman of the House Democratic Campaign Committee, and Republican
strategist Ralph Reed tell us who's hot and who's not.

And our panel, Juan Williams, Margaret Carlson and Fred Barnes will
have
revealing New Year's resolutions on the December 28th edition of FOX NEWS
SUNDAY.

(MUSIC)

SNOW: Good morning. Happy holidays, and welcome to FOX NEWS SUNDAY. I'm
Tony
Snow.

(NEWS BREAK)

SNOW: A jury has sentenced Timothy McVeigh to death in the Oklahoma
City
bombing, and the sentencing phase of Terry Nichols' trial begins tomorrow.

But after the verdicts, questions linger. Are there other accessories
or
conspirators in the case? Should Nichols and McVeigh face trial in
Oklahoma?

With me to answer these questions is the governor of Oklahoma, Frank Keating.

Good morning, Mr. Governor.

KEATING: Good morning, Tony. How are you?

SNOW: OK.

Let's begin with the question of other characters involved in the bombing.
Do you think Nichols and McVeigh are the only people involved?

KEATING: I think the evidence would certainly suggest that Nichols and McVeigh were the principal characters. Are there others? Well, there could be,
and of course that's not inconsistent with the government's case. So far, though, no other people other than Fortier have been identified as parties responsible.

We in Oklahoma City are satisfied that in the case of McVeigh and Nichols it
looks like we have the right people.

SNOW: Do you think that Nichols ought to get the death penalty?

KEATING: Yes.

SNOW: You're a practicing Catholic. You are obviously on the record as being
somebody who's fiercely pro-life. The pope says that capital punishment is wrong. Why is he wrong?

KEATING: Well, I don't think he's wrong. I think what the pope is saying is
that capital punishment should be reserved for the most extreme cases. When

individuals show contempt for life by savagely taking other people's lives

intentionally and with premeditation, capital punishment is in those cases an appropriate punishment.

I mean, if there were capital punishment, which there is, and it was restricted to those most unusual, most egregious cases, what worse case can you have than killing 168 people with premeditation, including 19 babies?

I mean, Oklahoma City, on April 19th, Tony, of 1995, was literally flattened. The north part -- 300 buildings damaged or destroyed; 2,000 cars destroyed; 168 people killed; 600 people injured. This was an awful, egregious, premeditated act, and I think capital punishment, if not given in this case, couldn't be given in any case.

SNOW: The Clinton administration and other organizations around the country have stepped up investigations of what they call ``extremist groups."

SNOW: Do you think that sort of investigation is necessary?

KEATING: Well, I don't think that it's necessary to blanket investigate ideas or blanket investigate attitudes. But certainly, any time someone crosses the line from -- from advocating a position that's perhaps unpopular or terribly controversial to implementing acts of violence, planning and scheming acts of violence, I think that those are appropriate investigations.

When I was an FBI agent quite a few years ago now, we investigated the far left not for their ideas, but for their passage from ideas into action -- destruction of public buildings, killing of public officials. I think that's appropriate.

SNOW: The -- there is talk now of moving trials for McVeigh and Nichols -- not talk. It's going to happen. There are going to be 160 murder counts against each one in Oklahoma. As you know, the other eight counts of federal officers, that's what the trial in Denver was all about.

Question to you -- is the second round of trials necessary?

KEATING: Well, I think it really depends. First, I had no control over it. The second round will be up to the district attorney Bob Macy, here in Oklahoma City, who is a very respected public official. But, secondly, in the McVeigh case, I questioned that.

Now, Mr. Macy wants to go forward. But the federal government did an excellent job of presenting that case. The jury convicted and sentenced to death. It appears to me, at least, to be a very solid case.

In the Nichols' case, on the other hand, since 168 of the victims were not mentioned in that federal case, and there is certainly a very real question whether or not Nichols will receive a severe penalty for his involvement in the destruction of this building and the killing of these people, that's certainly another story.

And I will support Mr. -- Mr. Macy in his efforts. The legislature, at my request, has provided nearly $1 million to help him get started. And we'll have to wait and see. But at this juncture, it looks like no matter what the conviction or what the sentence is in the Nichols' case, Bob Macy, the district attorney here, will proceed with both of them.

SNOW: He will proceed with Nichols and McVeigh?

KEATING: That's correct.

SNOW: Even though -- but you, actually, are opposed to the McVeigh thing because he's already got the death penalty, and that's enough.

KEATING: Well, I mean, my view is that we've got that case behind us. Let's go on to the Nichols' case. But, of course, there's a very good argument by some of the family members -- and a lot of them are very adamant -- that because 168 of their loved ones were not mentioned in the case in Denver, that necessitates a trial in Oklahoma City.

You can go either way on that one. But Bob Macy is adamant about proceeding.

Because he's the district attorney, he wants to do it,

I feel that it should be done at his lead. And it can be tried in Oklahoma City. Perhaps not in -- I mean, in Oklahoma. Perhaps not in Oklahoma City. But,

certainly Tulsa, that had a much more national view of this. They were aghast

at the tragedy. They were obviously very upset at what occurred.

But I think they had a much more distant view of it as if something tragic

happened in Houston. Could a trial take place in Dallas? The answer, I think,

would be more than likely yes.

SNOW: You really think that -- my question is, is it possible to have -- to

find a jury that's unbiased on this issue, not only in Oklahoma, but anywhere

in the United States?

KEATING: Well, I think so. But obviously, naturally, your --your argument

could go to the point where the most beastly crimes could never be tried

because everybody would be outraged. Therefore, the more people you kill, the

more havoc you wreak, the less likely it is that you can be tried and will be

tried anywhere. Of course, that simply can't be.

In Oklahoma, I think that we would be more sensitive than any place to make
sure we had the proper parties, because it was our city that was pasted. It was
our families that were ripped apart and destroyed. We would want to make sure
that we didn't have the wrong person before the court. And I think that was the
case in '95, and I think that's the case today.

I know some two weeks after the tragedy, I went over to Tulsa to give a speech. And I wore my purple ribbon, the ribbons we were wearing here after
this awful event in this city.

KEATING: And none of the Tulsa people had a purple ribbon on, which really
rather stunned me. But Tulsa is 100 miles away. It's another major metropolitan
area. It's an independent, distant city, if you will. And I think that Tulsa
could give this trial a fair hearing, and I think that the jury would be very
open-minded, because they would want to make sure they wouldn't have the wrong
person in front of the court.

SNOW: Governor, a couple of quick parting questions. What do you make of the
argument that has been advanced by the president and others that

conservative
opposition to government has led to this kind of extremism?

KEATING: Well, I think that that was an unfortunate statement. I think
--
you know, Kaczynski was a violator on the left. These individuals
allegedly
were violators on the right. I don't think any amount of talk radio takes
a
otherwise perverted individual and makes them cross the line into violence.

I mean, we have a healthy debate in this country on both sides, on all
sides
of every issue. We ought to encourage more of it, not less of it.

But I don't think it was fair, early on in this tragedy, to point the
finger
at talk radio hosts being responsible for some twisted and perverted
people --
person to come across the street and blow up 168 people. I think that was
an
unfortunate statement.
I think those people who made it should never have made it.

SNOW: Governor, you have been mentioned as a possible presidential
candidate. Have you formed an exploratory committee?

KEATING: No, Tony, I think every -- I think every governor, every
senator
probably is thinking about it. Probably, there'll be more people on the
stage
than in the audience in the year 2000. There'll be a lot of people

considering

it. Right now, I have no --no such plans. I'm running for re-election.

We'll

see what happens.

SNOW: OK.

Governor Frank Keating, thanks for joining us.

KEATING: Thanks, Tony.

SNOW: Up next, money matters, domestic and international, with Jack

Kemp.

(COMMERCIAL BREAK)

SNOW: ... economic news at the end of 1997 is mixed. Business is

booming,

but retail sales are not. And Asian financial markets are flirting with

disaster.

What's going on? To impose order on global chaos, we're joined from

Vail,

Colorado, by former Republican vice presidential candidate Jack Kemp. Also

with

me our panel, Juan Williams of The Washington Post and Fox News, Margaret

Carlson of Time, and Fred Barnes of the Weekly Standard and Fox News.

Brit Hume and Mara Liasson are off today.

Mr. Kemp, first, welcome.

KEMP: Thank you, Tony.

Happy holidays to everybody.

SNOW: Thanks.

Now let's -- you have come out in the last week and called for the

resignation of IMF director Michel Camdessus, saying that the IMF, the

International Monetary Fund, is partly responsible for the chaos in Asia.

Do you think the Federal Reserve Board also deserves some of the blame?

KEMP: Well, let me make two points in response, Tony.

Number one, there's been no reorganization of the IMF for almost 53
years,
and the advice that they're giving to Third World countries in Asia,
Africa and
Latin America of currency devaluations, higher taxes, so-called
``balanced-budget austerity" is absolutely causing so much of this pain
that I
have suggested that the Congress not replenish the IMF fund absent a
change in
policy and a change of the leadership of Michel de Camdessus.

And number two, I think that Alan Greenspan, over the last 10 1/2 years
of
his reign as our chairman of our Fed, has done an outstanding job, and I
give
him a lot of credit for the disinflation, or deflation, of the last number
of
years. Now, however, in the last year, allowing the price of gold, which
is the
best proxy for inflation and deflation, to sink from about 380 to 280, I
believe, has caused an illiquidity crisis in Southeast Asia. And since the
United States central bank is the banker to the whole world and the dollar
is
the unit of account for the whole world, if we don't conduct monetary
policy

absolutely correctly, then it's going to cause this type of pain in not
only
Southeast Asia, but other parts of the world.

So I believe that had the Fed followed Jack Kemp's advice in June of
this
year to peg the dollar price of gold at 350, you would not have seen this
type
of chaos, monetary chaos, in Southeast Asia.

WILLIAMS: Jack Kemp, contrary to what you're saying, though, the IMF is
a
very popular institution this week in Washington, given the fact that they
intervened, apparently successfully, in South Korea. We've seen a real
surge,
an uptick in that economy.

WILLIAMS: And it's been a great relief to people who worry that the
Asian
economies problems -- and it extends from South Korea into Malaysia and
elsewhere -- was going to create terrific havoc not only there, but in
Japan
and have consequence here.

So why are you hitting at the IMF at a time when it seems as if they're
doing real good and having real substantial impact on --positive impact on
the
American economy?

KEMP: Well, Juan, I don't disagree with you that the money that has
been
loaned to South Korea in this crisis has not been helpful. It has been

helpful, and so I would agree at least with that part of your premise that suggests that we should have made sure that we rolled over their debt, that we restructured their debt, that we gave them some short-term liquidity with which to deal with this banking crisis.

My argument goes beyond the one that you just made, to the type of advice that they gave to South Korea, and in Malaysia, Singapore, Indonesia and the Philippines. The IMF was in there last year, telling them the same thing they told Mexico before the collapse of the peso, to competitively devalue their currency.

Had they not done that, had the currencies been tied to the U.S. dollar, in my opinion, and had we been conducting good monetary policy, this would never have happened in the first place.

So I'm not quarreling with that part of the recent injection of liquidity into South Korea. I'm arguing that their advice has caused so much chaos and so much pain and suffering and poverty in Southeast Asia and Mexico that --

for
that reason alone, policy should be changed.

CARLSON: Jack Kemp, but there's -- given what happens here, every time a
country in Asia sneezes, the stock market here gets pneumonia. Doesn't the IMF
have to step in this way? Isn't it crisis management that you cannot give
long-term solutions to the problem when the market loses 200 points in a
day.

KEMP: Margaret, again, I don't disagree that there's a role for the IMF. I
am not against either the World Bank or the IMF in their traditional role of
helping countries deal with short-term exchange rate problems.

Again, and to reiterate, I should say, what they told the Southeast Asian
countries was to competitively devalue their currency, and this has caused so
much of the chaos, because every time you float

a currency, it sinks to the bottom, if not the ocean, at least, in the
markets. And the pain that it's causing, in my opinion, is worse than the
disease.

And had the U.S. central bank authorities -- in this case, the Federal
Reserve Board -- conducted monetary policy with an eye on keeping the dollar
price of gold at around 350 or in a band around 350, it would have not caused

this tremendous problem of illiquidity, not only in Southeast Asia, but in

Japan.

BARNES: Jack, this is Fred Barnes.

KEMP: Hi, Fred.

BARNES: As much as I'd like to continue talking about the IMF and gold,

I

want to change the subject to taxes here in the United States.

Republicans now are talking about another big tax cut, because there

may be

a budget surplus as recently as -- as soon as this budget year we're in

right

now.

Now, Republicans are talking about a flat tax that would tax people's

salaries, but not their investment income. Do you really think you can

sell

that to the American people?

KEMP: Well, there's some Republicans talking about that Fred.

BARNES: Well, Dick Armey for one. The 17 percent flat tax that Steve

Forbes

and Dick Armey that...

KEMP: Yes. Well, if you look at the Forbes plan and the Armey plan and

say

what is the tax system of Hong Kong, which is the predicate upon which the

flat

tax is based, it should tax income but once.

KEMP: When I was the chairman of the task force that was set up by the

Congress, or at least Bob Dole and Newt Gingrich, to study taxes with an

eye
on economic growth, we came quickly to the conclusion that we shouldn't
tax
income more than once, that the income tax should be low, it should be a
single
rate. What it should be, whether it's 17 or 20, I don't know.

All I know is the Republicans are right. The American families, the
American
worker and the American people are way overtaxed, and it's long past due
to
simplify and lower the tax rates on labor, capital and the American family.

SNOW: Mr. Kemp, Mr. Kemp, you were the guiding light behind the big tax
cuts
in the early '80s. Do you think the Republicans really have the stomach
for
trying to do the same thing this time against Bill Clinton?

KEMP: I don't know, Tony, that they're going to be able to get through
in
this new Congress in 1998 a major tax overhaul. That may be impossible,
given
the Democratic White House and a Republican Congress.

But they certainly can repeal the Clinton surtax. They certainly can
index
capital gains. They certainly can allow working men and women and families
to
be able to deduct the payroll tax as businesses can do today.

So it seems to me there are many short-term things that they can do,

given
the fact that thanks to economic growth, we now have a budget surplus, not
just
for this year, but well into the next future -- well into the next century.

CARLSON: Mr. Kemp, we...

WILLIAMS: I was going to ask about the fact that you didn't go to this
meeting at the White House on race relations at -- where the president
invited
conservatives to come in and voice their opinions. You didn't show up, and
I
didn't know exactly why. But it occurred to me, what's your position at
this
point? You're someone, having covered you in the past, that I know is very
sensitive to racial issues. Where do you come out as a true conservative
on
this issue of affirmative action?

KEMP: Well, let me take the first part of your question first, which is
why
I didn't show up, as you put it, Juan, at the White House for the
president's
so-called ``dialogue on race with conservatives."

Why is it that it was only the conservatives that he was going to have
a
dialogue with behind closed doors.

Look, the issue is so important to America on the eve of this new
century,
Juan, that it seems to me any dialogue on race should be carried out in

full

view of the American people.

WILLIAMS: Jack, I mean...

KEMP: I'd like to see it on C-SPAN.

Let me just finish my point.

WILLIAMS: All right.

KEMP: The president wanted to do it on Friday night, the Friday eve

before

the Christmas week holiday. It seemed to me inappropriate to do it behind

closed doors.

John Hope Franklin has recently invited me to appear at the commission,

and

I'm going to do that, looking forward to working on my schedule.

WILLIAMS: All right. But the fact is the next morning in The New York

Times

there was a transcript. They had reporters in there, and people came out

on the

lawn afterwards and held a large...

KEMP: I appreciate that.

WILLIAMS: ... and lengthy news conference.

I mean, that's not exactly hidden away.

KEMP: Juan, I didn't pout. I didn't whine. I didn't do anything out of

the

snit. I just didn't believe that this dialogue should be done on the front

--

on the middle page of The New York Times on a Saturday morning when people

were

shopping for Christmas and holidays.

WILLIAMS: So where do you come out then on this affirmative-action question?

KEMP: Look, I've always been a supporter of affirmative efforts to open up
equality of opportunity. There was a very important role for affirmative action
in the '50s, '60s and '70s, if you will.

Now, it seems to me that the courts are mending it. It should be replaced
with affirmative action, if you will, or affirmative opportunities, if you will, to break down the barriers to the American people, particularly low-income Americans, to participate in the American dream.

SNOW: Mr. Kemp, people want a precise answer to a question, though, which
is, Proposition 209 in California got rid of racial and sexual preferences.
Number one, are you in favor of that approach?

KEMP: I was in favor of 209 if it were to be replaced with the type of affirmative action which Bob and I talked about, which would open up opportunity for education, broaden the pool of talent from which business, education...

SNOW: That's -- Mr. Kemp, Mr. Kemp, what you're saying is...

KEMP: ... and low-income people could get opportunity to own property and
get access to capital.

SNOW: It sounds like you're hedging your bets there. Let me try again.

KEMP: How can it be hedging your bet to suggest...

SNOW: Are you for Proposition 209 at the federal level?

KEMP: Well, no, I don't think this is the time for a 209 at the federal level, absent the Republican Party, the party of Lincoln, coming up not just with an opposition to the affirmative action of the race-based preferences, which should be ended by fiat, as far as I'm concerned.

KEMP: I am not for quotas or preferences. But I am for affirmative efforts to open up educational choice in our urban areas, access to capital credit, housing ownership and property.

CARLSON: But those are...

KEMP: That's the right type of affirmative action for America.

CARLSON: I mean, those are down the -- those are down the road. Those are -- those are big things.

What would you do...

KEMP: They are not down the road, Margaret.

CARLSON: ... about the fact that -- that when the University of California stopped giving any preferences, there were, you know, very few blacks admitted?

KEMP: Well, I made the point in California during this debate that where there has been a pattern of historical discrimination based upon race or color

or ethnicity, you must use race, ethnicity or color as one of the criteria

--

one of the criteria around which you would make a --

CARLSON: But that's what the University of California...

KEMP: ... a decision.

CARLSON: ... was doing.

KEMP: No, not really...

CARLSON: One criteria.

KEMP: They came out with a quota. Margaret, with all due respect, they

had a

quota. So many Asians, so many Caucasians, so many Latinos, and so many

African-Americans. With all due respect, that is not what is helpful for

America here on the eve of a new century.

SNOW: Jack Kemp, we promised everybody we would ask you about global

warming.

(LAUGHTER)

SNOW: So you have written pieces about global warming. Is that the

first

salvo in an upcoming campaign against Al Gore?

KEMP: Well, it's a campaign against something that was manifested in

Kyoto

based upon a lack of consensus in the scientific community as to what the

problem is or if there is a problem at all. Number two, Al Gore's almost

neo-Malthusian conviction that unless we have more regulations, more

taxes, and

more allocation of energy, or redistribution of energy of wealth to the

Third

World, we're not going to be able to solve a problem that, I believe, can

be

solved with technology, if there is a problem.

Number two, we should not be raising taxes. And we should not be going

back

to 1976 as a standard by which we're going to judge the so-called ``carbon

dioxide emissions" in the year 2012.

If it was so important to Al Gore, why did he suggest that we're not

going

to meet any standards until after he is even projected in his wildest

dreams to

leave office in 2008?

So I frankly am going to take him on head on on this issue and tell the

American people the truth that they are not the cause of the warming of

the

earth.

SNOW: OK. Mr. Kemp, thanks for joining us.

KEMP: Thanks, Tony.

SNOW: When we come back, they are off and running for '98.

(COMMERCIAL BREAK)

SNOW: This time of year always makes us think about traditions --

holiday

decorations, New Year's resolutions and politicians getting ready to

pander.

Next year's congressional elections may give Bill Clinton his last chance

to

build an enduring legislative legacy.

Joining me to preview the balloting are Representative Martin Frost, chairman of the Democratic Congressional Campaign Committee, and Ralph Reed,
former executive director of the Christian Coalition, now a hired gun for Republican candidates.

Good morning to you both.

REED: Good morning.

FROST: Good morning.

SNOW: Ralph Reed -- taxes -- what should Republicans do?

REED: I think the Republicans should, first of all, sunset the -- the current income tax system. I think that's number.

SNOW: Which year?

REED: I'm personally in favor of December 31, 2001, which means that a Republican president in their first year would be able to emulate Ronald Reagan
and have the most sweeping tax reform in the post-World War II period.

I think the second thing they need to do, Tony, is they need to pass a tax
cut every single year that there is a Republican Congress. The one that I am in
favor of, as we go into 1998, is eliminating the marriage penalty. Some people
say we can't do that because it would be expensive. I think it's more expensive
to punish people for staying married and having strong families.

I think the third thing we've got to do is we've got to end the internal

debate within the party about whether it's a flat tax or a consumption

tax. Is

it a flatter tax or a true single rate?

I think as we go into, certainly, 2000, we need to have a party

position on

that.

SNOW: Martin Frost, the White House keeps saying: Look, we're not going

to

do any tax cuts next year. We're going to make sure that we have the

deficit

down. We're not going to spend money that we don't have.

Is that your position?

FROST: Well, I think there will be -- the president is taking a

responsible

position. I was here during the Reagan administration.

I was here when we ran deficits up to $300 billion a year. I'd like us to

make

sure that the budget is balanced.

FROST: And then look at tax relief.

There are a couple of things that make sense. Ralph mentioned the

marriage

penalty. That makes sense to look at.

Also, I think Senator Kennedy made a suggestion in terms of cutting the

payroll taxes, Social Security tax, down from 6.2 to 5.3. I think we ought

to

look at that.

But I think our first focus ought to be to make sure that the budget is
in
fact balanced this year. I'm tired of serving under large deficits. We
fought
very hard to get us to the balanced budget. Let's make sure we do. And
then
let's look at tax relief. And I think we should be open to that. I think
we
ought to be open to things that make sense.

SNOW: I'll pose a hypothetical. Let's suppose we get a surplus in 1998.
Are
you willing to say then that at the beginning of the next Congress,
Democratic
or Republican, item number one would be a tax cut to give some of that
surplus
back to working Americans.

FROST: It ought to go to the middle class whatever we do. You know, the
flat
tax that has been proposed would give upper-income taxpayers a big break.
One
estimate was that people making $500,000
a year would get a $50,000 break a year under the flat tax.

SNOW: What do you...

FROST: Whatever we do, it ought to really be focused on the middle
class.
And I think we ought to make sure that we look at things that are
effective in

helping the middle class.

SNOW: Well, you know, the president says that he's just going after the rich. And yet recent studies show that in fact there's a bigger disparity between rich and poor than at any time since World War II under this administration.

FROST: Well, this administration, of course, has done things to try and help
the middle class, and I think it's been successful. It was the president who
insisted there be...

SNOW: What's successful -- why is there the gap between rich and poor?

FROST: Well, because we've been dealing with this for a long time. I mean,
don't forget what happened during the Reagan administration and during the Bush
administration. This president
insisted in the tax bill that passed last year that I voted for -- I voted
for the budget agreement; I voted for the tax bill -- insisted there be tax
credits so that parents -- middle-class parents could send their kids to college, insisted that there be health insurance provided for the uninsured. I
think the president has done some very constructive things.

SNOW: Ralph, the president has said that education's going to be a top priority. Republicans for years have talked about school choice, vouchers, whatever. What should they do?

REED: Well, I think education's going to be a huge issue in '98 and 2000 and a lot of the races that my company's involved in. Our surveys are showing that education is the number one issue among voters. They're very concerned about whether or not their child is attending a school that is safe. They're concerned about whether or not they're attending a school that is drug-free.

SNOW: Do they want vouchers and choice?

REED: I find overwhelming support for school choice. And Paul Coverdell, as you know, a senator from Georgia has introduced an amendment that this administration opposes, that the liberal establishment of the Democratic Party opposes, that will allow the amendment that Clinton favored, which Congressman Frost mentioned a minute ago, to be used by middle-class families for school expenses whether those school expenses are private, parochial or public.

It seems to me that if in 1962 George Corley (ph) Wallace was standing in the school house door and not allowing African-American children in, today it's the liberal establishment standing in that same school house door and not allowing African-American minority and inner-city children out.

SNOW: That's pretty inflammatory.

FROST: Well, I think there'll be a clear choice between the parties on this.

The Democratic Party stands for public schools and doing everything we can to make sure we have a strong public school system in this country. Republicans want to divert resources to private schools. And I think that's a very interesting choice for voters.

And let me tell you what I think's going to happen. You had in the last Congress you had some Republicans who abandoned the position, and that's why vouchers were defeated in the House of Representatives. I don't believe Congress is going to pass vouchers to destroy the public school system in this country.

My parents went to public schools in Texas. I went to public schools in Texas. My children went to public schools. My daughter's a public school teacher, and I don't think we ought to divert federal resources to private schools on the elementary and secondary level.

REED: Let me say this. My parents went to public schools. I'm the product of public schools, and my children attend public schools. And no one is a stronger supporter of the public schools than I am.

But the issue here, Tony, isn't whether we're for public or private or parochial. The issue is the children. Are the children receiving a quality education or not?

Now if we're standing the school house door -- and yesterday there was

a

front page story in The New York Times which said that in the Denver City

school system, 25 percent of African-American children in those inner-city

schools are proficient in math, ten percent are proficient in English.

REED: That is indefensible.

Those are schools that could have been designed by the Klu Klux Klan.

So

what we're saying is...

SNOW: I mean, you're saying Denver's the national model?

REED: What we're saying is allow those children to attend a school

where

they can learn and where they can be safe and where they can be drug-free.

And all we're asking for is for the same credit that the president

wants to

be used for college education. The president doesn't say that you have to

use

that credit at a public university. You can use it at Yeshiva. You can use

it

at Notre Dame. You can use it at a private college.

SNOW: OK. We've got the idea. Martin Frost.

FROST: Well, first of all, in college there is a charge to go to public

universities. And of course, the credit would apply to public

universities. In

terms of what he's talking about in elementary and secondary level,

they're

talking about giving a few kids vouchers, taking the best and the
brightest, a
few kids out of the public school system, putting them into private
schools.

And what ought to happen is there's a proposal -- and this was also in either that story or one of the other stories in the last couple of days
--
spend $5 billion, take some of this surplus and repair these dilapidated
school
buildings. Make these into better schools.

SNOW: So you think bad roofs are responsible for the reading problem?

FROST: Take some of the money and let's get better teachers. There's a proposal that we should -- if someone will teach for five years in the
public
schools, then we would forgive some or all of their educational student
loan
debt.

Let's improve the public school system, because it's the public school system in this country that gives everybody the opportunity to move up in society.

SNOW: Mr. Frost, this is also a labor issue. Let's face it. The biggest opponent of school choice is the National Education Association. How do
you
answer the recurring charge that the Democratic Party is in labor's pocket?

FROST: Well, the Democratic Party has had the support of labor.
Business
communities support some Democrats, but supports more Republicans. I mean,

labor picks people. Labor also supports some Republicans.

I've read in recent months how labor's been giving some money to some Republicans in the last year.

So let's be fair. Labor supports people that they agree with, just as the business community supports people that they agree with.

SNOW: Ralph Reed, speaking of agreement, minority voters don't vote for Republicans. Why?

REED: I think that's changing, Tony. In fact, I think you're going to find as a new generation of younger African-American, Latino voters, particularly those under age 40 today, begin to vote in larger numbers. I don't think Republicans are necessarily going to get a majority of the minority vote, but I think on school choice, which we've been talking about, on things such as equality and improved education, welfare reform, crime, and the moral agenda, such as voluntary school prayer, they're with us.

Jim Gilmore was just elected Governor of Virginia, did extremely well among the minority vote. Mark Early (ph), a religious conservative, elected attorney general, I think got about 20 percent of the minority vote in that election.

And if you look at George W. Bush in Texas right now, he's getting between a third and 40 percent of t FROST: I think my governor might have a hard time getting the

Republican

nomination. I'm not sure he's conservative enough for some of the people

in his

own party.

I think that Ralph and his friends really have a veto power over who

gets

the Republican nomination, and I think that we'll see what happens. But I

think

George Bush might have difficult time convincing some of the hard right in

the

Republican Party.

SNOW: OK. That'll be the final word.

Gentlemen, thanks for joining us. When we come back, the cold warrior

turned

pizza pitch man, and our panel offers some political resolutions.

(COMMERCIAL BREAK)

SNOW: In the 1980s, he bestrode the globe as a geopolitical colossus.

He

helped preside over the end of the arms race and the collapse of

communism. He

spiced up our vocabulary, with such terms as ``glasnost" and

``perestroika."

Now he's adding new words, ``extra cheese and thin crust, please."

Creating

a tough precedent for his successors to follow, former Soviet

General-Secretary

Mikhail Gorbachev has turned into a practicing capitalist, serving as a pitchman for Pizza Hut.

So what will the soon-to-retire Boris Yeltsin do to trump his old boss? Endorse Stolichnaya and Alka Seltzer?

CARLSON: What a downer.

SNOW: And we're back with our panel -- Juan Williams of The Washington Post and Fox News; Margaret Carlson of Time; and Fred Barnes of The Weekly Standard and Fox News.

We begin our panel today with New Year's resolutions for the high and mighty, beginning with the president of the United States, Bill Clinton.

Juan Williams, first your New Year's resolution for Bill Clinton.

WILLIAMS: I say, Bill Clinton on January 1st, stand up and say that you're going to enact campaign-finance reform. Last year, Bill Clinton in his State of the Union said campaign-finance reform was an absolute priority for him. Nowhere near it. In fact, he let the Republicans jump all over him and point out how much money he was raising.

SNOW: Margaret Carlson.

CARLSON: Now, Clinton is at close to 60 percent in the popularity, but let me say this: Ride the dog's coat-tails a little less. The warm and fuzzy dog has served his purpose, and let us get away from the dog.

(LAUGHTER)

SNOW: Bye-bye, Buddy, OK.

Fred.

BARNES: I like the second, what Margaret just said about the dog, but
there
is actually a big thing the president could do if he really wants to avoid
being the Rutherford B. Hayes of the 20th century, in other words, a
president
who didn't do much. That is, reform Social Security and Medicare so
they're
solvent right through the middle of the 21st century. He can do it.

SNOW: He can, and that's a lofty resolution.

Now we turn to the president-in-waiting, Vice President Al Gore.

Juan Williams.

WILLIAMS: No more photos with Buddhist monks for Al Gore. Clearly, if
you
want to be president of the United States, you can't take any more big
hits,
and you certainly shouldn't be toasting off with the Chinese either.
You've got
to do better at the social graces, but much better at these photos with
Buddhist monks. No, no!

(LAUGHTER)

SNOW: Margaret.

CARLSON: My resolution for Al Gore is get a warm and fuzzy dog. He
needs it
to protect him. I mean, he's had a very bad year with the press, and I

think he

needs the -- those coat-tails to ride.

SNOW: Fred.

BARNES: Gore needs more than the dog. What he needs to do is --is

emulate

the best politician of the late 20th century that we've seen, at least in

the

last 10 years. That's Bill Clinton. Move to the right, hire Dick Morris,

and

get rid of these hard-left issues like global warming and rigid support

for

racial preferences.

SNOW: Now we turn to the Republican side of the aisle. New Year's

resolutions for House Speaker Newt Gingrich.

Juan Williams.

WILLIAMS: I think Newt should stay in hiding. That should be his New

Year's

resolution. All this talk about Newt running for president, Newt as the

big

idea, hey, Newt, do the Republicans a favor, stay in hiding.

SNOW: Margaret.

CARLSON: Yes, I'm on the same page as Juan on this, although I think

it's

best to be thin and unpopular, rather than fat and unpopular. So I would

say

keep off the 30 pounds.

WILLIAMS: Ooh! Tough, tough, tough!

(LAUGHTER)

SNOW: Fred.

BARNES: People are so mean.

(LAUGHTER)

Newt Gingrich -- no, what I think he needs to do, keep promoting conservative ideas, so that President Clinton can be fooled once again into backing them himself and thinking they're his own.

SNOW: OK.

Finally, we are going to gaze into our crystal ball and pick the winners of 1998.

Juan.

WILLIAMS: I'm going to pick a surprise here. Bill Cohen, the secretary of defense, I think is going to be a big winner in 1998. Clearly, the U.S. and the military is a big issue, and I think the American people are going to look to Bill Cohen as a moderate leader.

SNOW: Do you think Bill Cohen then becomes a bona fide political prospect for the future?

WILLIAMS: Yes, he does. Presidential contender.

SNOW: Hoo-hoo!

Margaret.

CARLSON: Heard it here first!

SNOW: Who's your winner for 1998?

CARLSON: My winner's a little counterintuitive. It is Senator John McCain.

He's had a very bad year within his own party, seems to have no friends on Capitol Hill, but disgust with campaign finance is going to catch up with the public in '98, and John McCain, Mr. Honesty, the only honest man, will have a great year.

SNOW: Fred.

BARNES: Boy, there's a lot of room for disgust to pick up, because now it's indifference toward campaign-finance reform.

I think the big winner's going to be Senator Al D'Amato of New York. Not only will he be re-elected, but he'll emerge as the kingmaker for the Republican presidential nominee in the year 2000.

BARNES: He's not going to get the nomination. But he will decide who it is.

SNOW: He's the -- he's the...

BARNES: Yes.

CARLSON: That's the comeback kid. That's the comeback kid. I mean, and he's moving toward Clinton.

SNOW: You really think so? You -- you think that the man the - Democrats love to demonize somehow becomes a kingmaker?

BARNES: Look. He's already picked out a big issue to run on. He's realized
that while public education is supported by people, they know it's failing, and
teacher tenure is a part of the reason. He's attacked that. He's always behind
at this point in his races. He always gets re-elected. And then he will head
the New York delegation.

And that -- and they are going -- and he will decide how that delegation
goes.

SNOW: Another winner -- a winner of 1997 was Hunter Tylo, who was due to
join the cast of Melrose Place, was told she shouldn't join because she was
pregnant and it would not look good as a vixen. As a result, awarded $5 million
by a jury. Maureen Dowd called that vixen's rights.

Is this a great step forward for women? Or a great step forward for
comedians?

WILLIAMS: I think it's a great step forward for every comedian in America
and I think for everybody who wants to make fun, vixen rights. You know, I
mean, gee, what kind of stupidity is this?

CARLSON: Well, it isn't going to help many women. There aren't many of
us

who are on Melrose Place as seductresses.

WILLIAMS: You could do it. You could do it, Margaret.

CARLSON: Hey, why thank you, Juan.

WILLIAMS: Certainly, Certainly.

CARLSON: And it -- it doesn't even -- if ever there was a job which called for you not to be pregnant, it's playing the vixen on Melrose Place. But it does lay down a marker, which is do not fire any pregnant women for any reason.

SNOW: Fred.

BARNES: Is there nothing the judges won't stay out of? I mean, when did judges become casting directors, decide who can play this.

(LAUGHTER)

You know, in Washington right now, Othello is being played by a white man. I mean, should some black sue because they're not getting a role that Shakespeare wrote as a black role?

CARLSON: It -- it was a jury.

BARNES: It was ridiculous.

CARLSON: I mean, but it was a jury that awarded her all this money. And it shows that the Madonna image has -- has great power...

BARNES: Yes, but the judge could have thrown it out.

CARLSON: ... in this country.

BARNES: He could have thrown the case out and should have.

SNOW: Well, let's switch topics now.

Kwanzaa. Kwanzaa is being celebrated increasingly around the United States.

Margaret, this week there has been a big protest here in Washington, D.C. I want to pull up a quote and read it to everybody. It is from the International Black Buyers and Manufacturers Expo and Conference. And here's what they say about Kwanzaa.

``Efforts to market Kwanzaa are arrogantly exploitative of the culture of African people. It would appear that while entrepreneurs are instinctively acting out a basic tenant of historical American racism."

CARLSON: Yes. This is ridiculous.

(LAUGHTER)

This has gone over ridiculous.

Now, first of all, Kwanzaa is supposed to be a noncommercial --it's an alternative. It's not Christmas. And one of the tenants of it is you're not -- all gifts are supposed to be homemade. There's --well, this and now.

They have decided to use it to go -- for separatism. It's --it's just -- it's -- it's crazier than the Hunter Tylo.

SNOW: Wasn't this created as a separatist holiday in the late 1960s?

WILLIAMS: Right. Well, that's -- that's part of the humor here. They are talking about great African traditions. The thing is about 30-years-old at

most, created by Ron Karinga (ph), who was a black nationalist. And the
idea
was to try to exploit the notion of separating blacks from American
culture and
society. And part of that was the Christian tradition of Christmas.

But what you see are these retailers, black retailers, they are really
now
saying, hey, this is about money. Forget about principles of unity and
coming
together and family. We want the money, just like the other retailers are
exploiting Christmas.

SNOW: So are we entering a period now -- there was also a controversy
this
week about defacing of a Muslim symbol on the mall --where this sort of
becomes
holiday religions are us at this time of year?

BARNES: Yes, but those aren't the idea. As Juan, I think, said, Kwanzaa
is
not even a religion. And the press is partly at fault here by -- by
treating it
as an alternative to Christmas. The fact is most African-Americans are
Christians. They celebrate Christmas.

CARLSON: Yes.

BARNES: Kwanzaa is something else. It's some black nationalist thing
that
ought to be treated as such. It ought to come before the president's race
commission. There they can really do something.

SNOW: OK. Final issue today -- there's been a lot of talk about taxes. Republicans are making some sounds about cutting taxes. Do you think they are
going to do it, Fred?

BARNES: Probably not much. But here's what -- and I asked Jack Kemp about
this. Here's where Republicans better watch out. Right now they think their 17
percent flat tax is a great idea. Democrats aren't even attacking them. But
they are lying in wait.

And when Republicans are out there proposing this, Democrats can say, look,
you're going to tax people who make 60,000 working hard in the workplace but
not people who get $60,000 from their investment income.

BARNES: That's going to be big trouble for Republicans.

CARLSON: It's a fairness issue.

WILLIAMS: Well, Fred, I am really surprised to hear you say that. I thought
you would say, of course, cutting taxes is a great issue, and Republicans will
exploit it to no end.

BARNES: I'm in favor of doing it, but you better do it in a right way that's
politically sailable.

CARLSON: Right. They own the issue, but they don't own the solution because

the solution always can be exposed as favoring the rich over the poor. The

issue that's going to work is giving middle-income people and working

class

relief from payroll taxes.

WILLIAMS: Well, but I mean, last year, in exchange for this balanced

budget,

we did give them inheritance tax breaks, state tax breaks.

BARNES: Not much. Not much.

WILLIAMS: Oh, come on.

BARNES: Very little. Very little.

WILLIAMS: You rich want more and more and more, right, Fred.

CARLSON: And the other argument is...

BARNES: I mean, the ceiling or the write off went from $600,000 to

$625,000.

That's not much.

CARLSON: And the arguments for simplification after they just got done

adding 800 provisions to the tax code. Now they're all arguing, as if

they're

innocent of this, oh, now we have to simplify.

SNOW: Well, of course, the cry from members of Congress is stop us

before we

legislate again. Juan Williams, Margaret Carlson, Fred Barnes, thank you.

It's the end of the month, and now it's time to dip into our FOX NEWS

SUNDAY

mail bag. We begin with this e-mail from Terry Wood. ``Fox News Sunday has

been

a genuine voice in the wilderness of the general news media. Ninety-nine percent of the discussions on the show are well-conceived and handled with professionalism.

``Not so with the Barney Frank-Abigail Thernstrom segment on December 7th.
It appears Ms. Thernstrom thought she was appearing on a serious show. However,
Mr. Frank seemed to think he was on CNN's CROSSFIRE.

``I don't believe you controlled the segment very well, and you did a great
disservice to Ms. Thernstrom. I hope this type of segment doesn't set a precedent for this show."

Dear Mr. Wood, you're right. My bad. It won't happen again.

Also, this via e-mail from Bill Myland (ph). ``I think the roundtable discussion of the show is excellent. I am particularly impressed with Juan Williams. Rather than a one-issue guy, he participates fully and completely in
each and every question that I've seen."

CARLSON: Juan Williams' mom.

SNOW: Dear Mr. Wood, on behalf of Juan, I say ah, shucks.

WILLIAMS: Gee, thanks, Mom or Dad.

SNOW: When we come back, some parting thoughts for the final Sunday of 1997.

(COMMERCIAL BREAK)

SNOW: In our latest Fox News/Opinion Dynamics Poll, we asked whether this
year was better or worse than 1996. As you can see, many thought it was

better,

which probably explains the president's popularity ratings. And as we look

to

our own New Year's celebrations this year, Fox Movietone News takes us

back to

an earlier time.

(MOVIE BREAK)

SNOW: A final note. Ed Thorgerson (ph) was the original voice of Fox

Movietone News. He held that job for decades. Ed died this week at the age

of

95. We offer condolences to his friends and family, and thanks to Ed who

first

gave Fox News a distinctive voice.

And now, time for my parting thoughts. 'Tis the season of good cheer

and

good intentions. So I will close today with a resolution of my own, that

FOX

NEWS SUNDAY will give you the fastest, liveliest, wittiest and most

informative

news show on tel==================== ATTACHMENT 1 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

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ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: USIA_Media_Reaction (USIA_Media_Reaction@notes1.usia.gov@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:30-DEC-1997 13:06:00.00

SUBJECT: Daily Digest 12/30: SOUTH KOREA'S FINANCIAL CRISIS

TO: Laura D. Schwartz (Laura D. Schwartz@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
Editors overseas continued to express concern about the state of the South Korean economy, with many predicting dire consequences if the South Korean government fails to regain the confidence of overseas investors. Analysts also worried about the possibility of a "global recession" set off by the devaluation of a number of East Asian currencies and of domestic political unrest in those countries--primarily South Korea and Indonesia--where strict reform measures have been mandated by the IMF. Most writers held that the IMF's bailout plans for South Korea and Indonesia were "bitter" but "necessary" medicine. Editorials in those countries were noteworthy in their calls for thorough implementation of IMF reforms and for the creation of transparent financial institutions. Following are major trends in the commentary:

REFORM IS NECESSARY--NOW: The financial crisis precipitated considerable soul-searching in the South Korean press. For the past two weeks, dailies in Seoul have issued repeated, strongly worded calls on the South Korean government to pledge to "undertake the pain" of implementing the IMF reforms. Papers from across the political spectrum echoed the view of pro-business Joong-Ang Ilbo, which held: "(South) Korea's economy is really like a candle in the wind. If we want our credibility restored, we must show the world that we are serious about reforms." Seoul papers were particularly disappointed that South Korea's National Assembly failed to pass legislation on worker layoffs. "(This shows) that lawmakers do not have any idea of what a negative impact...(this) will have on the economy," asserted conservative Chosun Ilbo. In Indonesia, other leading papers agreed with the English-language Jakarta Post, which minced no words in blaming the country's economic woes on the "corruption-infested" financial industries, saying: "We hope the government here has got this message now as the rupiah has continued to slide in defiance of all economic theories."

IMF 'PILL' IS BITTER, BUT ASEAN HAS NO SOLUTIONS: Although a minority of writers still argued that IMF "conditionalities" might not be "good for Asia," most commentators judged that recovery would only come if the affected economies adhered to the IMF's "unpleasant medicine." Voices from Singapore and the Philippines were particularly supportive of the "values Asia needs--transparency and directness." A Manila daily condemned the "so-called 'Asian values' of authoritarianism and limited liberties," endorsing instead, "freer markets, greater democracy, and the rule of law." Calcutta's centrist Telegraph insisted that 1997 had made the case for the "American way of doing business--strong on institutions, transparency and domestic answerability."

DIRE WARNINGS: Some of the darkest predictions for the future came from unexpected quarters. London's conservative Times saw the IMF's bailout plans as "positively Faustian," predicting: "The 'tigers' will emerge from the current crisis declawed and owned by the West." A Singapore paper intoned: "Remember, fascism rose from the ashes of markets that had failed, and failed abysmally."

This survey is based on 85 reports from 21 countries, December 12 - 30.

EDITOR: Kathleen J. Brahney

EAST ASIA AND PACIFIC

SOUTH KOREA: "Catastrophe Will Ensue If Reforms Are Held Back"

Pro-business Joong-Ang Ilbo maintained (12/30): "When catastrophe was imminent, we looked very determined to correct everything right away. With the crisis postponed, we are now wavering over the promises we made to the international community. If we postpone reforms further...the international community will not help us anymore.... Has the current administration given up all its will to lead the nation? With the National Assembly failing to pass legislation on layoffs and also postponing action against financial institutions, it has become very evident that the government has neither the will nor the aspiration to lead and help the nation.... With the kind of reform plans (the Assembly) has in mind, we won't be able to restore our credibility. Resolving problems regarding financial institutions and banks by March and June is not going to be enough.... If international banks ever decide not to roll over loans, another foreign exchange crisis will hit us soon. Korea's economy is really like candle in the wind. If we want our credibility restored, we must show the world that we are serious about reforms. And we have to show it now."

"Passing The Buck On 'Bad Guy Role'; Layoffs Fall In Someone Else's Lap"

Conservative Chosun Ilbo commented (12/30): "The National Assembly wavered before the IMF issue, confirming its lack of crisis management ability. Furthermore, it failed to pass legislation on layoffs, showing that lawmakers do not have any idea of what a negative impact their failure to adopt layoffs will have on the economy.... Since labor circles are adamantly protesting the bill, the issue will definitely become the eye of a storm in the next year."

"President-Elect Kim's Policy On Layoffs"

Conservative Segye Ilbo (12/29) said in an editorial: "We no longer dispute the issues of layoffs. They will have to be implemented for us to carry out the IMF terms, bring back foreign investment, and eventually stabilize our foreign exchange market. Many different elements failed in our economy, including the mismanaged financial system and our excessive dependence on foreign debt. If we want these systematic problems to be fundamentally amended, we should transform the financial system, making it correspond more to the rules of the market economy."

"Anxiety Toward A New Open Era"

Moderate Hankook Ilbo (12/27) editorialized: "In exchange for an economic bailout, we are being led to a new era of full liberalization. All this change is shocking, but we have nobody to blame but ourselves. The most urgent task we face at this point is whether we can fully open our market and turn the new situation into an opportunity for a new economic success story."

"U.S. Government Should Take More Active Role"

Pro-business Joong-Ang Ilbo declared under the above headline (12/24): "The foreign exchange crisis Korea is going through at this point is a deadly serious affair, and the country is about to default on its foreign debts.... We hope very much that President Clinton and the U.S. government become more involved in the Korean situation and find a more realistic way to help us."

"Rebuilding World Confidence"

Conservative Chosun Ilbo pointed out (12/24): "Moody's has announced a further downgrade of Korea's credit rating by two more levels, driving the current foreign exchange crisis into

deeper straits and hampering the country's efforts to get foreign capital.... The surest way to regain international credibility is to promptly reform the nation's financial market. Korea needs to take tougher and bolder measures."

"All-Out Effort To Beat Foreign Exchange Crisis"

Independent Dong-A Ilbo judged (12/24): "Under any circumstances, national insolvency must be prevented.... We should no longer postpone closing deficient banks and financial institutions. And we need early disbursements of loans from the United States and Japan."

"The Way To Persuade Foreign Investors"

Anti-establishment Hankyoreh Shinmun asked (12/24): "Why do we postpone day after day carrying out the reform measures the IMF is demanding? If we want to put an end to the current crisis, we must make up our mind now to accept the additional demands Wall Street investors have made. If there is anything we can do domestically, we should not waste a second carrying it out."

"With The Coffers Empty, December Is Cliffhanger"

Moderate Hankook Ilbo (12/23) commented: "We thought foreign exchange difficulties would get better as soon as the election concluded...(yet) Korea's credit rating has fallen to the level of the Philippines. According to international financial circles, Korea faces a further drop in its credit rating unless some dramatic measures are taken."

"Seriousness Of Economic Crisis Forces A Difficult Decision"

Conservative Segye Ilbo said (12/23): "Both the U.S. government and the financial markets are expected to come up with more tough reform measures for Korea to carry out. President-elect Kim faces the need to present a specific plan soon, a list of specific measures Korea must adopt in order to restore Korea's credibility abroad and to bring foreign investment back to the country. The sooner the better."

"Are Our Efforts Serious Enough?"

Pro-business Joong-Ang Ilbo's editorial held (12/22), "Prospects for ending the crisis are gloomy unless Korea convinces the world as soon as possible that we are making serious efforts to dig out of the hole."

"Why Hurry To Visit U.S.?"

According to independent Dong-A Ilbo (12/21), "President-elect Kim Dae Jung's announcement that he is willing to visit the United States, the center of international finance, is a clear manifestation of his intention to solve this crisis quickly. However...both the U.S. government and the private sector...say it is premature for him to meet the Wall Street big shots.... What matters most is action by the Korean government to reform the market and restore confidence.... (Kim Dae Jung's) pledge to fully abide by the IMF agreement was enough to confirm his commitment at this point. A more prudent decision required considering that a hasty visit with no practical results might seem frivolous and fan distrust at home and abroad."

"Declaration Of IMF Compliance Most Urgently Needed"

Conservative Chosun Ilbo (12/19) commented: "The economic situation is so urgent that the president-elect should open a dialogue channel with the United States, Japan, and the IMF to prevent 'national bankruptcy.'...

"Also, in order to enhance the external credibility of the Korea economy, he should consolidate insolvent banks and push through a financial reform bill as soon as possible."

"New President Expected To Focus On International Credibility"

Anti-establishment Hankyoreh Shinmun (12/19) commented: "Now that the election is over, the president-elect should express again his commitment to the IMF agreement to clear up any remaining suspicions over his stance on 'renegotiation.'"

"The IMF, The U.S., And Korea"

Conservative Chosun Ilbo held (12/16): "The receipt of IMF loans has made Korea belatedly realize that market mechanisms really control the economy. Korea is also learning how a U.S.-style economy functions. Although Korea has a capitalist market, we cannot help regretting that our economy has been more or less state-run. What further accelerated the ruin of our economy was a combination of collusion, corruption and a lack of understanding of the market economy.... The U.S.-style economy now beginning to dominate ours is our own fault."

"IMF Terms"

Moderate Hankook Ilbo maintained (12/16): "We believe that neither the United States nor the IMF wants Korea's economy to collapse. If they want a restructured, competitive and globalized economy in Korea, they should show some flexibility by slowing the process down and easing the IMF terms."

"The Way To Recover Credibility Overseas"

Pro-business Joong-Ang Ilbo (12/15) editorialized: "We need to show the world that we are determined to undertake the pain of implementing the IMF terms.... The world wants us to restructure our system and we understand why it thinks we should.... More than anything else, the political arena needs to cooperate and pass legislation on financial reforms. Only then can we hope to restore our credibility overseas. It is time for action, and time is running out."

"Honor IMF Accord"

An editorial in conservative Chosun Ilbo (12/14) held: "Korea should bolster confidence by...making a firm promise to faithfully implement the IMF terms. That is the only way to proceed; we have no other alternative.... Meanwhile, badly managed, debt-ridden firms should be closed without delay. We do not have much time to lose."

AUSTRALIA: "The IMF's Asia Warning"

The national, business-oriented Australian Financial Review commented in an editorial (12/22): "If regional economies are to ensure that recovery comes earlier rather than later...they will have to adhere to the unpleasant medicine prescribed by the IMF.... In part the reluctance over

IMF solutions in Asia has arisen because the underlying problems are different to those in Mexico; rather than an overvalued currency and excessive gap between output and spending funded by overly footloose capital, most of the Southeast and Northeast Asian difficulties have instead stemmed from weak and opaque banking systems. Fixing these will take longer, and involve treading on more toes in both the business and political systems than was the case in Mexico. Even now some regional players, perhaps overly confident that recent events are just a brief setback to Asia's long economic advance, remain reluctant to break the cozy nexus between government, big business and banking that has so distorted capital flows."

"Economic Crisis Tests ASEAN Success"

The national conservative Australian maintained (12/17): "The international community is clearly looking to ASEAN to demonstrate resolve and commitment in the region's economic crisis. What is required is societies which are more open and responsible to their people, markets and the global economy. If ASEAN can demonstrate that it has the will to secure change it will have secured the basis for its next 30 years."

CHINA: "Change In U.S. Attitude Toward Asian Financial Crisis"

Zhao Jingsheng said in official Beijing Municipal Beijing Daily (Beijing Ribao, 12/30): "Until the middle of December, the United States still remained an indifferent observer toward South Korea's request for accelerating the provision of money. But now, the United States has done a somersault and has agreed to increase the emergency aid.... At present, there are still some 35,000 American military personnel in South Korea.... If the unrest in South Korea's financial situation continues, the situation might bring about an even more profound crisis, a consequence the U.S. government is striving to avoid. Another reason for U.S. participation in the aid is that the United States is endeavoring to prevent the crisis from spreading to Japan, the United States' second-largest trading partner. In addition, the Asian financial turbulence has already negatively impacted U.S. export trade and will have a potentially negative effect on U.S. economic growth for 1998."

"Storm Warnings And Economic Development"

Professor Chen Biaoru, of the International Finance Department, Shanghai East China Normal University, wrote in Shanghai Municipal Communist Party-controlled Jiefang Ribao (12/23): "This financial turmoil might give a warning to some East Asian countries to speed up reform, to establish a financial risk prevention mechanism, and to perfect macroeconomic control systems so as to turn today's crisis into more stable economic development in the future."

HONG KONG: "Rising To The True Scale Of The Financial Crisis"

The independent, English-language South China Morning Post's editorial said (12/14): "The worst may not happen; often it does not. But one way of helping to prevent the worst from coming to pass is for those most able to head it off taking concerted action.... There are signs that the attitude of the number-one player may even have turned to something closer to coldness to the crisis. Washington flatly rejected requests by South Korea for early disbursement of the rescue package, and voices are being heard in the United States that perhaps the best course might be to let one Asian country pay the full penalty for its past financial misdemeanors, if only as an example.... That would accord with the puritanical streak that can influence U.S. policy-making, particularly before mid-term elections in which Asia-bashing job protection could win votes for populists on both right and left. As America basks in an aura of prosperity under a president reported to be more interested in golf than international finance, the temptation must be for the United States to take a quasi-isolationist economic stand, lulling itself into the belief that it doesn't need the rest of the world nearly as much as the rest of the world needs it and its almighty dollar."

INDONESIA: "Another American Century?"

The government-oriented, English-language Indonesian Observer held (12/29): "Perhaps, the old U.S. of A. can look forward to another American Century, and not to a Pacific Century as some pundits have predicted. Or, Asia can take the couple of years left in this century to kick themselves back into gear, eventually reclaiming the economic spotlight for the next century.... The entire region remains rich in a variety of assets, knowhow, and resources that will allow it to get the factories humming again.
Indonesia
can draw a valuable lesson from all this.

"We should...should stick to the IMF advice as well as draw on the great learning of many of our own experts and officials who have been urging many of the IMF's suggestions for years. It will be tough, but it is the only way Indonesia can achieve a real economic recovery."

"War On Corruption"

The signing of the anti-corruption convention sparked this assessment in the leading, independent, English-language Jakarta Post (12/22): "The current financial meltdown in several Asian countries, including Indonesia, has been blamed partly on their corruption-infested financial industries.... We hope the government here has got this message now as the rupiah has continued to slide in defiance of all economic theories."

"Whence Come Rumors?"

The leading, independent Jakarta Post held (12/17): "Public concern about the health of President Soeharto has apparently been exploited by some people to instill fear into the financial markets, leading to the renewed free-fall of the rupiah.... The fact that the wildest of rumors could impinge on business decisions illustrates the precarious condition of the economy."

"U.S. Role In Monetary Crisis Cannot Be Ruled Out"

Armed forces' Angkatan Bersenjata ran this column by Suarif Arifin (12/17): "It is widely assumed that the United States was angry with ASEAN for accepting Burma... The fact that the financial crisis is not occurring outside Asia is probably because the United States has made an in-depth analysis of the behavior of ASEAN leaders and found their weaknesses. Indeed, the United States cannot treat ASEAN as it does Iraq because ASEAN is not hostile. However, it is clear that ASEAN does not want to be dictated to by the United States.... Regardless of assumptions, the rupiah's plunge against the dollar may give the impression that there is a similarity between the people's political power and economic market mechanisms. We have to take firm and serious precautions against such a view."

"What The World Expects"

Leading independent Kompas commented (12/12): "Many parties expect the monetary crisis and economic turbulence to serve as a valuable lesson to Asian countries, a call to develop more solid economies, with specific improvements in the banking and financial systems. If this does not happen, Asian economies will continue to be vulnerable to attacks and crises, just as they are now."

JAPAN: "Aid To South Korea Should Be Transparent"

Moderate Tokyo Shimbun declared (12/30): "No matter how much money we pour into (South Korea), it is like water over sand unless the uncertainty about South Korea's creditworthiness can be cleared away. That uncertainty derives from the lack of transparency of the present situation. The South Korean government should describe its economic situation accurately. The Japanese government should also clarify the total amount of outstanding loans to South Korea. If not, anxiety in the market will be aggravated, and the Japanese domestic financial system could become unstable. Early resuscitation of the South Korean economy is a matter of urgency and one of great importance for security on the Korean peninsula and throughout Asia. However, without accountable financing, (South Korea) could form a morally hazardous dependency on the IMF. That would not be good for South Korea, nor for healthy international finance in the 21st century."

"World Carefully Watching South Korea's Economic Reconstruction"

Liberal Mainichi Shimbun's correspondent Kato wrote from Seoul (12/19): "The new South Korean President must implement drastic economic reforms based on the IMF bailout package, including restructuring of debt-ridden financial institutions. If these steps are not taken, South Korea's international credibility will continue to suffer."

"ASEAN Countries Question Effectiveness Of IMF Aid"

Top-circulation, moderate Yomiuri's Kuala Lumpur correspondent Fujita observed (12/16): "An emergency statement, adopted on Monday, the second day of the informal ASEAN summit...questioned the effectiveness of the IMF loans and international loans initiated by the United States and Japan. The United States and Japan, however, remain adamant in requiring countries that receive bilateral loans to meet IMF conditions. Under these circumstances, a confrontation is likely between creditor countries and debtor nations over the conditions and terms of international relief loans."

MALAYSIA: "Gaining From The Crisis"

The government-influenced English-language New Straits Times declared (12/15): "Few in the international community have bothered to notice how badly Asia's troubled economies are being served by the belated scramble to counter the region's financial problems. The just-announced World Trade Organisation (WTO) agreement on financial services--after six years of negotiations and strident developing country objections--offers the biggest hint so far of the Asian countries' sharply reduced bargaining position. True, the deal would, as its proponents say, increase capital flows, improve quality competition, financial stability and economic efficiency. But that is only one side of the story. The last round of WTO talks in 1995, had come up with empty after Asia's emerging economies balked from opening their markets up to better-equipped foreign competitors. This time, equal market access was hard-sold as a confidence-restoring measure for the badly hit Asians. Several developing countries barely concealed their dismay at having to buy that line in spite of their justifiable fears. International perceptions about Asia have changed, and its once high-flying economies are being made to pay needlessly, without a voice of their own."

PHILIPPINES: "The Economics Of Fear"

The editorial of the independent Manila Standard maintained (12/28): "The biggest challenge we face at this stage can only be described as the 'economics of fear.' The depth of the regional crisis caught everybody by surprise.... We need firm signals from both the political players and the business leaders to shake us out from this condition of reticence."

"On Markets, Democracy, And The Rule Of Law"

Columnist Calixto Chikiamco wrote in the independent Manila Standard (12/28): "I see the current crisis pointing away from so-called 'Asian values' of authoritarianism and limited liberties toward freer markets, greater democracy, and the rule of law. These elements of capitalist democracy and constitutional liberalism represent the rational evolution of failed systems wracked by the current currency turmoil. This is because the flight of capital from East Asia is about capital misallocation. Capital was directed to projects which could not meet its cost of capital--condominiums where there were no buyers, industries where the economy had no comparative advantage, and politically prestigious but economically inefficient projects (cars, airplanes, dams, building towers, etc.) More often than not, in East Asia, these capital allocation decisions are political decisions."

"IMF Might Not Be Good For Asia"

Businessman Calixto Chikiamco observed in his column in the independent Manila Standard (12/21): "Bank closures, which are part of IMF conditionalities, may aggravate the financial panic. This has happened in Indonesia and Thailand. What should be done? Both the United States and Japan should go on an expansionary monetary policy to solve the liquidity crisis and the crisis of confidence in the region.... The IMF might not be good for Asia."

"Asian Crisis"

University of the Philippines professor Walden Bello, in an InterPress news service article in the independent Manila Chronicle, expressed this opinion (12/24): "How could one of Asia's strongest economies unravel so fast?... In the early nineties...the tide turned against the Koreans. Two factors, in particular, appear to be central. The first was the failure to invest significantly in research and development. The second was the massive trade blitz visited on Korea by the United States.... Fearing the emergence of another Japan with whom it would constantly be in deficit, Washington subjected Seoul to a broad-front trade offensive that was much tougher than the one directed at Japan, probably owing to Korea's lack of retaliatory capacity."

"ASEAN Solutions?"

The independent Philippine Daily Inquirer featured this comment (12/18): "ASEAN takes pride in applying so-called 'ASEAN solutions' to Asian problems. Well, there is an Asian problem, but ASEAN has no solution for the currency turmoil. ASEAN economies have turned to the IMF, which to some quarters is the current equivalent of Western neo-colonialism. But if they don't want the IMF medicine, then whose medicine will they take? The problem is they don't even have prescriptions of their own."

SINGAPORE: "Asia's Crisis And Japan"

The pro-government Business Times opined (12/30): "If the New Year opens on a note of renewed optimism in Japan, the opposite can be said of the United States, where the realization was taking hold that the nexus through which the Asian crisis will strike domestic prosperity goes well beyond direct exports. U.S. multinationals with extensive operations in Asia were starting to downgrade earnings forecasts for 1998. That is bound to hurt Wall Street and then the 'feel good' factor generated by high stock prices will begin to evaporate.... As regional currencies begin to stabilize under the impact of capital inflows, authorities will move away from emergency floating-rate regimes and move back towards some form of managed exchange rate. It is highly likely that in the process they will de-emphasize the dollar and give greater weight to the yen. The result of all this will be that the long-mooted 'yen bloc' in Asia will at last begin to become a reality."

"A Plea For Sanity"

The pro-government Straits Times told its readers (12/24): "The downgrading of the credit rating of South Korea, Indonesia and Thailand to junk level at this point in time is most regrettable. With one stroke of the pen, these governments are placed in a category reserved normally for high-risk corporate ventures. They will now find borrowing more expensive. So will cash-strapped companies that operate in these countries. Moody's rating cuts were unprecedented.... The timing of these latest ratings could not have been worse.... The Asian debacle could well be the first warning sign that an unrestrained capitalism that destroys the lives of millions may well devour itself in the end. Remember, fascism rose from the ashes of markets that had failed, and failed abysmally."

"The Values Asia Needs"

The pro-government Business Times (12/24) carried an editorial page commentary by George T. Haley, associate professor of marketing at DePaul University, Chicago, who has previously taught in Mexico, Singapore, Thailand and Australia: "Some Asian values have created one of the great economic miracles in history; others are threatening it. Asians should be proud of the unique characteristics of Asian cultures that have helped create an economic miracle, but they should also recognize the value of some Western values: Transparency and directness. These Western values are good economics; they would help to shorten the global economic crisis that is presently focused on Asia. Additionally, transparency and directness would help to prevent more severe economic problems for Asian countries, such as Singapore, which have led Asia in creating transparent and well-regulated financial markets."

"The Lesson From South Korea"

The pro-government Straits Times mused (12/18): "'There is nothing to fear but fear itself.' One wishes a South Korean leader had said that, and said it with conviction and credibility. For what happened in that country last week was due to the failure of political nerve, the collapse of gumption and resolve.... Just as a parent would simply turn on the light to reassure a child that there are no goblins lurking in the dark, the only way governments can resolve the market's suspicions of the unknown is to train the spotlight on facts. The Korean leadership failed to do this. Fear was thus allowed to feed on fear, and the mere suspicion that things were not what they seemed soon turned into the conviction that they were far worse than even fear could suppose. The result was what was witnessed last week--a psychologically induced collapse.... This, more than anything else, is what the leadership of every East Asian country has to guard against.... Only decisive political leadership can break the destructive cycle. Markets, like people, will know that fear is irrational when they see evidence of fearless leadership."

THAILAND: "A Time For Reforms, Not Gloating"

The independent, English-language Nation's editorial stressed (12/29), "The verdict on Asia's financial morass, as proclaimed by a procession of economic gurus, was emphatic. The culprit, they said, is the 'Asian model'--a development strategy based on hand-in-glove collusion between governments and businesses. What they badly need now is more liberalization and American-style capitalism. Still, uncomfortable questions remain. How can a nation be held up as a model one day and blamed for mismanagement the next? And why are analysts so quick to pinpoint the 'errors' of these countries, and so eager to recommend specific reforms, when only a few months ago they were recommending investment in these economies? As millions continue to suffer--and the

worst has yet to come--leaders from Indonesia to South Korea will be hard pressed to stick to the open market and free trade policies foisted on them by the IMF. It's time that the IMF and its main sponsor--the United States--listen to the voices emanating from Asia. Yes, Asia must undertake
reforms to wipe out corruption and to strengthen democracy. But similarly, the global economic system must also undergo reforms."

"The U.S. And Crisis In Thailand"

Top-circulation Thai Rath editorialized (12/18): "It is clear...that the financial crisis, which started in a small countries like Thailand, has sent its adverse effect to almost the whole world.... In this era of globalization, all countries are interdependent. The United States should not deny that it also has a part in creating the crisis, for it is the United States that has taken the lead in pushing for liberalization of financial services and has protected currency traders who have been regarded as speculators engaged in money manipulation that has wreaked havoc on currency values in small countries."

SOUTH ASIA

INDIA: "Occident Prone"

Calcutta's centrist Telegraph featured this analysis by assistant editor

Pramit Pal Chaudhuri (12/30): "It is now clear the East Asian miracle occurred because the grabbag of economic policies the region followed was largely in conformity with the mix of capital, labor and markets that made the West what it is today. Also helpful was the United States' Cold War policy of letting these countries have untrammelled access to its market.... In other words, what was Asian about the miracle was largely a mirage.... This year made a formidable case for the American way of doing business--strong on institutions, transparency and domestic answerability. The Asian alternative proved a cardboard cutout. Some Thais are boycotting McDonald's and Pizza Hut. This will do their health good. But to go anti-American on financial regulation will ensure their on-off currency crisis will become a forever recession.... Asia will recover from all this chaos that has made its money funny. But Asian values have been placed on life support."

"New Dawn In Korea"

The centrist Statesman's editorial pointed out (12/23): "Not much is known of Kim Dae Jung's plans to revive his country's economy after the buffeting it has received in the recent past but to the extent that any tough measures can only succeed if the country has confidence in the leader, Kim has a better chance of success than any of his rivals in the election."

BANGLADESH: "Price Of Failure In South Korea"

Conservative Ittefaq editorialized (12/21): "South Korea has no alternative but to swallow the bitter [IMF] pill. They must accept the conditions to receive foreign credit. Failure to properly manage the economy and corruption have brought down the government. This is not bad. This will be an example for the new government and the politicians."

EUROPE

BRITAIN: "How West Cages Asian Tigers In IMF Trap"

The conservative Times featured this commentary by economics correspondent Janet Bush (12/24): "The IMF knows very well that the American banking system was saved and nursed back to health after the 1987 stock market crash because the Federal Reserve pumped masses of liquidity into the economy and kept interest rates low for a long time. It is no mistake that the very opposite is being imposed on Asia. At the same time as the IMF is ensuring a brutal shake-out of Asian financial institutions, it is demanding that Asian governments open their financial markets to foreign investment at their point of maximum vulnerability and when assets are cheapest.... The pact that Asian governments have made with the IMF is positively Faustian. They get billions of dollars in the short term but lose control of their destinies. The 'tigers' will emerge from the current crisis declawed and owned by the West.... The Asian model of economic development may be undergoing an unforgiving reassessment, but the Western model of capitalism is distastefully arrogant and sneering. The Asian economies may come to regret taking the IMF's billions."

"Uncle Sam Sees Off Asia's Paper Tigers"

The independent Financial Times had this commentary by editor Richard Lambert (12/23): "Americans may be excused a spot of gloating. For years, Asia has been held up as a model of how successful economies should be organized. The United States, they were told, was doomed to the slow lane.... Things look different today. The American economy has been gathering strength for six years or more, and is still in robust health....

"(Asia's) economies appear to be melting away by the day.... But some words of caution are in order. The watchful eyes of Wall Street did not prevent the American auto industry from almost driving itself into the ground in the early 1980s, or the savings and loans disaster at the end of that decade. And while it is true that the American economy is in great shape, it is far from a perfect model. Low savings and high borrowings are especially bothersome. And social problems will multiply unless the skills of the American workforce can be improved and broadened.... Sooner or later, Wall Street is going to turn down--and that will be the testing moment."

"Nikkei Nightmare"

The conservative Daily Telegraph had this lead editorial (12/23): "The risk of global turmoil has increased appreciably with the failure of the Japanese government's latest emergency package. Compounding the crisis, the IMF bailout for South Korea...has failed to arrest the relentless slide of the South Korean currency.... So far, the collapsing markets in the Far

East have had the perverse effect of driving up bond and equity prices in New York, as money flees to the safe haven of dollar assets. But...there will come a time when Japanese companies, particularly the huge insurance firms, will have to start repatriating their huge holdings of U.S. Treasury bonds to meet obligations at home. That is the moment of acute danger. Fortunately, we are unlikely to see a replay of the Great Depression...but the sharp currency devaluations across the Far East will surely have a deflationary impact on the global system. Cheap Asian goods will flood international markets in 1998, causing job losses in the West and provoking
a fierce protectionist backlash that will be hard to control. If handled promptly, the problem can be managed. If the global powers and the IMF persist in seeing the crisis as a local Asian affair, and if they fail to make quick and substantive changes in macro-economic policy, there is a risk that the contagion will spread to the rest of us."

"Trade And Asia Crisis"

An editorial in the independent Financial Times remarked (12/22): "The effect of the Asian crisis on world trade could be very significant, even if its effect on growth is limited. What is essential is that the inevitable concern over trade balances does not translate into damaging protectionism. Policymakers must be on their guard."

"Forget Tigers--Keep An Eye On China"

The liberal Guardian ran this commentary (12/17): "Asian countries have been told that they now have no option but to adopt American-style free markets. But it is a mistake to welcome economic difficulties in East Asia as proof that the Asian model of capitalism is finished and the American free market universally triumphant. More likely they are a prelude to an economic turbulence that will shake every Western economy, not least that of the United States.... When Western free marketeers crow over the economic difficulties of Asian countries they are showing themselves to be--not for the first time--myopic and hubristic. No doubt some Asian economies need far-reaching reforms. But financial crisis in Asia does not augur the universal spread of free markets. Instead, it may be the prelude to a global deflationary crisis, in the course of which the United States itself recoils from the regime of free trade and deregulated markets that it is currently seeking to impose in Asia and throughout the world."

FRANCE: "Warning Signals"

Gilles Bridier remarked in centrist La Tribune (12/22): "Stock market operators are being extremely careful because South Korea's economy is sending confusing signals. IMF experts acknowledge that they were too optimistic in their assessment this past autumn. Today, when they express their 'cautious optimism' on the consequences of the crisis, they also underscore the 'considerable uncertainty' of the crisis and the means to resolve it....

"Operators are therefore not convinced that the clean up operation is underway. And Wall Street will continue to send warning signals, as it did on Friday."

"The Ripple Effect"

Gilles Bridier opined in centrist La Tribune (12/24): "Korea...cannot hope to come out from under without making many sacrifices.... Even then, the impact will have resounding effects beyond Asia. While that region of the world helped to accelerate growth on other continents, it seems obvious, unfortunately, that the crisis will have a direct effect through Wall Street on other financial markets, including Europe."

GERMANY: "Korean Problems"

Ernst August Ginten observed in an editorial in right-of-center Die Welt of Berlin (12/30): "South Korea's bankers and politicians can heave a sigh of relief. American, but also Japanese and European banks, are checking whether they should restructure debts and prolong repayment periods. And the promised IMF funds will be transferred to the country quicker than planned. The market again believes in the power of capital and the won is recovering. But for newly elected President Kim Dae-jung, the warm shower of money is only an urgently necessary relief to begin with the overdue structural reform process.... In concrete terms this means that the government must liquidate insolvent banks.... The collapse of companies and mass dismissals will be unavoidable, but this must be supported by social measures. In order to regain the confidence of the donors, South Korea's government must...fully implement the course which was prescribed by the IMF without the population revolting against it, thus driving investors out of the country. This is political donkey's work that could last years.... The South Koreans only have three possibilities in order to stimulate the economy again: They will become either as innovative and efficient and thus as rich as the Japanese, or they find a profitable niche on the global market, or they will become as poor as the Chinese."

"Asian Depression"

Karl Grobe's editorial in left-of-center Frankfurter Rundschau commented (12/29): "The collapse of the South Korean economy, financial crises from Tokyo via Hong Kong to Bangkok and Jakarta are shocking not only merchants, investors, brokers, and traders but are depressing peoples as a whole. Psychological consequences have an immediate effect on politics. The gainfully employed--usually those forces who are not full-time workers--have to bear the brunt of the burden.... Their economic disillusionment and their social decline will have unforeseeable consequences and probably lead to fierce nationalistic reactions in view of the influence of the IMF."

"Link Loans To Tough Conditions"

Centrist Bonner Express (12/27) argued: "The strong tiger from the past is turning out to be a paper tiger without teeth. By a hairsbreadth, South Korea avoided bankruptcy. However, the country survived not on its own steam, but with generous loans from the countries abroad.... The times of breathtaking successes and an almost unlimited growth are over. Sobriety is spreading, since the whole system was based on loans and on worthless, dishonored bills. Only one step can help now--pulling the emergency brake. This is why it is important that international loans are linked to tough conditions."

"Potemkin Villages"

Right-of-center Saechsische Zeitung of Dresden (12/27) had this to say: "The case of Seoul is another indication of the fact that the economic miracle of the highly-praised Southeast Asia was built on shaky ground.

"And this miracle was supported by big international commercial banks which obviously did not check closely enough whether all ambitious projects of the tiger states were realistic at all. Obviously there are some reliable bankers whose minds stopped thinking once they imagined the profits they could expect. We have learned these days that not only some planned economy experts in Eastern and Central Europe left Potemkin villages."

"Asian Time Bomb"

Daniel Rhee-Piening concluded in an editorial in centrist Der Tagesspiegel of Berlin (12/24): "The enormous ups and downs at the United States and European stock markets are a harbinger of things to come. In South Korea, the situation is particularly worrisome.... It will take a lot of time and money before the necessary confidence will be restored, but the global community has no other choice but to help out. The international economic nets are now so tightly woven that everyone is in the same boat. In

Asia...a fire has broken out that needs to be extinguished before the clouds of smoke choke us."

ITALY: "South Korea On The Brink"

Provocative, classical liberal Il Foglio had this comment (12/30): "The main American commercial banks have agreed to renew loans to South Korean banks.... On the other side, the new Korean president convened trade union leaders.... However behind all this there are American, Japanese and European fears that South Korea might find a common 'link' with North Korea and ally itself with China, thus creating a new equilibrium in Asia. The crisis will be a long one.... The Seoul Stock Exchange has not fully re-stabilized, but the new president's statement that Western capital is welcome in Korea is not only important for economic liberalization, it was a political signal, a double-edged one. Westerners are welcome, but if they do not come in force to the rescue, we can turn to the Red East."

RUSSIA: "Which Is Worse, Sickness Or Cure?"

Dmitry Kosyrev had this to say in Centrist Nezavisimaya Gazeta (12/24): "The proposed terms are standard. But accepting them means a complete and absolute dismantling of the economic model that ranked South Korea 11th in the world and at various times brought success to Japan, China and Southeast Asian countries. Which is worse, the sickness or the cure? That many neighbors in Asia face the same dilemma is no consolation to the new president who, rather than enjoying the 'golden autumn of a politician,' will have to engage in hard battles for the survival of his nation."

HUNGARY: "Korean Skimming"

Top-circulation Nepszabadsag ran this editorial comment (12/15): "(South Korea's) industrial barons, who accumulated vast sums of external capital on foreign markets, aimed at easing their domestic liquidity problems through corruption. Democratic politicians who got into power easily managed to take the key positions of the corrupted 'selectors.' But there is one tiny little thing we should pay attention to. Having achieved relative balance and stability, the Koreans immediately began 'skimming.' They started to use the slightest economic growth for massive investments in their infrastructure and for an almost unlimited increase of wages. And they did that with the almost full consensus of the society. The people of Korea, who had suffered a lot, deserved it, politicians kept saying. But Korea, in the meantime, lost all it had gained earlier, and now, with the IMF decree, all they can do is to regret this humiliation. Small country, great nation, that is probably the only common feature we (and South Korea)

share."

SPAIN: "Danger--Serious Global Recession"

Barcelona's centrist La Vanguardia noted (12/22): "The IMF's revised report of economic forecasts [in which it foresees somewhat diminished world growth as a result of the events in Asia] is reassuring up to a point in that...it shows a lower growth rate than previously forecast for 1998, although hardly threatening a global recession. Nevertheless, the IMF also stated that the crisis could intensify and spread in the coming months, which precludes an excess of confidence for the future.... The great risk resulting from [the downturn of economic activity within certain Asian countries], when combined with the extraordinary devaluations in their currencies--excluding, fortunately, Japan and China--is that exports from the affected countries could flood the United States and Europe, causing serious trade tensions. If such tensions were to degenerate into open tariff wars, then we would indeed be facing a serious risk of global recession."

LATIN AMERICA AND CARIBBEAN

ARGENTINA: "The Key Issue Is Domestic"

Business-financial El Cronista front-paged this editorial (12/12): "The Korean collapse is not metaphoric, it is a description of a fact.... A great exporting industrial power--the epitome of the Asian development model--is, technically, bankrupt. Financial globalization made the structural crisis of its Asian development model explosive. Now, before moving forward with direct financial aid, the United States is demanding that South Korea dismantle its protected and subsidized capitalism, in which the financial system has a passive role.... It is not exporting power that is the key to a developing country's international participation in the decade of the '90s. The decisive issue is the solidity of its international economic institutions. This is the tremendous weakness of South Korea, a great industrial exporting country. An extraordinary lesson for Argentina."

BRAZIL: "Shock Waves From Asia Will Continue To Hit Other Markets"

An editorial in center-right O Estado de Sao Paulo said (12/26): "(Brazil' s) Central Bank is opting for an extremely cautious reduction of the interest rates, despite all its accomplishments in the last two months to reduce the vulnerability of Brazil's economy from a speculative attack. Despite the agreements advancement with the IMF, they are still far from allowing anyone from seeing the light at the end of the tunnel.... It seems more like the end of the beginning instead of the beginning of the end.

"The difficulties in the participation of the IMF in Asia are being magnified by the high degree of ambivalence...in the complex relations between the United States and Japan. The American government understands very well the fundamental role that Japan plays in the resolution of the Asian crisis. The American government has shown great resistance to the idea of Japan's leadership in efforts to overcome the Asian crisis. There are many reasons to believe that the overcoming of the Asian crisis promises to be slower than what many imagined.... The shock waves will continue affecting the operations of emerging markets, even those far distant from Asia."

"Another Tremor In Asia"

An editorial in liberal Folha de Sao Paulo declared (12/12): "The financial markets are also evaluating certain political implications.... The process of democratization (in South Korea) may conflict with the bitter demands made by the IMF."

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Tuesday, December 30, 1997

SOUTH KOREA'S FINANCIAL CRISIS: CONTINUED ANXIETY AT YEAR'S END

Editors overseas continued to express concern about the state of the South Korean economy, with many predicting dire consequences if the South Korean government fails to regain the confidence of overseas investors. Analysts also worried about the possibility of a "global recession" set off by the devaluation of a number of East Asian currencies and of domestic political unrest in those countries--primarily South Korea and Indonesia--where strict reform measures have been mandated by the IMF. Most writers held that the IMF's bailout plans for South Korea and Indonesia were "bitter" but "necessary" medicine. Editorials in those countries were noteworthy in their calls for thorough implementation of IMF reforms and for the creation of transparent financial institutions. Following are major trends in the commentary:

REFORM IS NECESSARY--NOW: The financial crisis precipitated considerable soul-searching in the South Korean press. For the past two weeks, dailies in Seoul have issued repeated, strongly worded calls on the South Korean government to pledge to "undertake the pain" of implementing the IMF reforms. Papers from across the political spectrum echoed the view of pro-business Joong-Ang Ilbo, which held: "(South) Korea's economy is really like a candle in the wind. If we want our credibility restored, we must show the world that we are serious about reforms." Seoul papers were particularly disappointed that South Korea's National Assembly failed to pass legislation on worker layoffs. "(This shows) that lawmakers do not have any idea of what a negative impact...(this) will have on the economy," asserted conservative Chosun Ilbo. In Indonesia, other leading papers agreed with the English-language Jakarta Post, which minced no words in blaming the country's economic woes on the "corruption-infested" financial industries, saying: "We hope the government here has got this message now as the rupiah has continued to slide in defiance of all economic theories."

IMF 'PILL' IS BITTER, BUT ASEAN HAS NO SOLUTIONS: Although a minority of writers still argued that IMF "conditionalities" might not be "good for Asia," most commentators judged that recovery would only come if the affected economies adhered to the IMF's "unpleasant medicine." Voices from Singapore and the Philippines were particularly supportive of the "values Asia needs--transparency and directness." A Manila daily condemned the "so-called 'Asian values' of authoritarianism and limited liberties," endorsing instead, "freer markets, greater democracy, and the rule of law." Calcutta's centrist Telegraph insisted that 1997 had made the case for the "American way of doing business--strong on institutions, transparency and domestic answerability."

DIRE WARNINGS: Some of the darkest predictions for the future came from unexpected quarters. London's conservative Times saw the IMF's bailout plans as "positively Faustian," predicting: "The 'tigers' will emerge from the current crisis declawed and owned by the West." A Singapore paper intoned: "Remember, fascism rose from the ashes of markets that had failed, and failed abysmally."
This survey is based on 85 reports from 21 countries, December 12 - 30.
EDITOR: Kathleen J. Brahney

EAST ASIA AND PACIFIC

SOUTH KOREA: "Catastrophe Will Ensue If Reforms Are Held Back"

Pro-business Joong-Ang Ilbo maintained (12/30): "When catastrophe was imminent, we looked very determined to correct everything right away. With the crisis postponed, we are now wavering over the promises we made to the international community. If we postpone reforms further...the international community will not help us anymore.... Has the current administration given up all its will to lead the nation? With the National Assembly failing to pass legislation on layoffs and also postponing action against financial institutions, it has become very evident that the government has neither the will nor the aspiration to lead and help the nation.... With the kind of reform plans (the Assembly) has in mind, we won't be able to restore our credibility. Resolving problems regarding financial institutions and banks by March and June is not going to be enough.... If international banks ever decide not to roll over loans, another foreign exchange crisis will hit us soon. Korea's economy is really like candle in the wind. If we want our credibility restored, we must show the world that we are serious about reforms. And we have to show it now."

"Passing The Buck On 'Bad Guy Role'; Layoffs Fall In Someone Else's Lap"

Conservative Chosun Ilbo commented (12/30): "The National Assembly wavered before the IMF issue, confirming its lack of crisis management ability. Furthermore, it failed to pass legislation on layoffs, showing that lawmakers do not have any idea of what a negative impact their failure to adopt layoffs will have on the economy.... Since labor circles are adamantly protesting the bill, the issue will definitely become the eye of a storm in the next year."

"President-Elect Kim's Policy On Layoffs"

Conservative Segye Ilbo (12/29) said in an editorial: "We no longer dispute the issues of layoffs. They will have to be implemented for us to carry out the IMF terms, bring back foreign investment, and eventually stabilize our foreign exchange market. Many different elements failed in our economy, including the mismanaged financial system and our excessive dependence on foreign debt. If we want these systematic problems to be fundamentally amended, we should transform the financial system, making it correspond more to the rules of the market economy."

"Anxiety Toward A New Open Era"

Moderate Hankook Ilbo (12/27) editorialized: "In exchange for an economic bailout, we are being led to a new era of full liberalization. All this change is shocking, but we have nobody to blame but ourselves. The most urgent task we face at this point is whether we can fully open our market and turn the new situation into an opportunity for a new economic success story."

"U.S. Government Should Take More Active Role"

Pro-business Joong-Ang Ilbo declared under the above headline (12/24): "The foreign exchange crisis Korea is going through at this point is a deadly serious affair, and the country is about to default on its foreign debts.... We hope very much that President Clinton and the U.S. government become more involved in the Korean situation and find a more realistic way to help us."

"Rebuilding World Confidence"

Conservative Chosun Ilbo pointed out (12/24): "Moody's has announced a further downgrade of Korea's credit rating by two more levels, driving the current foreign exchange crisis into deeper straits and hampering the country's efforts to get foreign capital.... The surest way to regain international credibility is to promptly reform the nation's financial market. Korea needs to take tougher and bolder measures."

"All-Out Effort To Beat Foreign Exchange Crisis"

Independent Dong-A Ilbo judged (12/24): "Under any circumstances, national insolvency must be prevented.... We should no longer postpone closing deficient banks and financial institutions. And we need early disbursements of loans from the United States and Japan."

"The Way To Persuade Foreign Investors"

Anti-establishment Hankyoreh Shinmun asked (12/24): "Why do we postpone day after day carrying out the reform measures the IMF is demanding? If we want to put an end to the current crisis, we must make up our mind now to accept the additional demands Wall Street investors have made. If there is anything we can do domestically, we should not waste a second carrying it out."

"With The Coffers Empty, December Is Cliffhanger"

Moderate Hankook Ilbo (12/23) commented: "We thought foreign exchange difficulties would get better as soon as the election concluded...(yet) Korea's credit rating has fallen to the level of the Philippines. According to international financial circles, Korea faces a further drop in its credit rating unless some dramatic measures are taken."

"Seriousness Of Economic Crisis Forces A Difficult Decision"

Conservative Segye Ilbo said (12/23): "Both the U.S. government and the financial markets are expected to come up with more tough reform measures for Korea to carry out. President-elect Kim faces the need to present a specific plan soon, a list of specific measures Korea must adopt in order to restore Korea's credibility abroad and to bring foreign investment back to the country. The sooner the better."

"Are Our Efforts Serious Enough?"

Pro-business Joong-Ang Ilbo's editorial held (12/22), "Prospects for ending the crisis are gloomy unless Korea convinces the world as soon as possible that we are making serious efforts to dig out of the hole."

"Why Hurry To Visit U.S.?"

According to independent Dong-A Ilbo (12/21), "President-elect Kim Dae Jung's announcement that he is willing to visit the United States, the center of international finance, is a clear manifestation of his intention to solve this crisis quickly. However...both the U.S. government and the private sector...say it is premature for him to meet the Wall Street big shots.... What matters most is action by the Korean government to reform the market and restore confidence.... (Kim Dae Jung's) pledge to fully abide by the IMF agreement was enough to confirm his commitment at this point. A more prudent decision required considering that a hasty visit with no practical results might seem frivolous and fan distrust at home and abroad."

"Declaration Of IMF Compliance Most Urgently Needed"

Conservative Chosun Ilbo (12/19) commented: "The economic situation is so urgent that the president-elect should open a dialogue channel with the United States, Japan, and the IMF to prevent 'national bankruptcy.'...

"Also, in order to enhance the external credibility of the Korea economy, he should consolidate insolvent banks and push through a financial reform bill as soon as possible."

"New President Expected To Focus On International Credibility"

Anti-establishment Hankyoreh Shinmun (12/19) commented: "Now that the election is over, the president-elect should express again his commitment to the IMF agreement to clear up any remaining suspicions over his stance on 'renegotiation.'"

"The IMF, The U.S., And Korea"

Conservative Chosun Ilbo held (12/16): "The receipt of IMF loans has made Korea belatedly realize that market mechanisms really control the economy. Korea is also learning how a U.S.-style economy functions. Although Korea has a capitalist market, we cannot help regretting that our economy has been more or less state-run. What further accelerated the ruin of our economy was a combination of collusion, corruption and a lack of understanding of the market economy.... The U.S.-style economy now beginning to dominate ours is our own fault."

"IMF Terms"

Moderate Hankook Ilbo maintained (12/16): "We believe that neither the United States nor the IMF wants Korea's economy to collapse. If they want a restructured, competitive and globalized economy in Korea, they should show some flexibility by slowing the process down and easing the IMF terms."

"The Way To Recover Credibility Overseas"

Pro-business Joong-Ang Ilbo (12/15) editorialized: "We need to show the world that we are determined to undertake the pain of implementing the IMF terms.... The world wants us to restructure our system and we understand why it thinks we should.... More than anything else, the political arena needs to cooperate and pass legislation on financial reforms. Only then can we hope to restore our credibility overseas. It is time for action, and time is running out."

"Honor IMF Accord"

An editorial in conservative Chosun Ilbo (12/14) held: "Korea should bolster confidence by...making a firm promise to faithfully implement the IMF terms. That is the only way to proceed; we have no other alternative.... Meanwhile, badly managed, debt-ridden firms should be closed without delay. We do not have much time to lose."

AUSTRALIA: "The IMF's Asia Warning"

The national, business-oriented Australian Financial Review commented in an editorial (12/22): "If regional economies are to ensure that recovery comes earlier rather than later...they will have to adhere to the unpleasant medicine prescribed by the IMF.... In part the reluctance over IMF solutions in Asia has arisen because the underlying problems are different to those in Mexico; rather than an overvalued currency and excessive gap between output and spending funded by overly footloose capital, most of the Southeast and Northeast Asian difficulties have instead stemmed from weak and opaque banking systems. Fixing these will take longer, and involve treading on more toes in both the business and political systems than was the case in Mexico. Even now some regional players, perhaps overly confident that recent events are just a brief setback to Asia's long economic advance, remain reluctant to break the cozy nexus between government, big business and banking that has so distorted capital flows."

"Economic Crisis Tests ASEAN Success"

The national conservative Australian maintained (12/17): "The international community is clearly looking to ASEAN to demonstrate resolve and commitment in the region's economic crisis. What is required is societies which are more open and responsible to their people, markets and the global economy. If ASEAN can demonstrate that it has the will to secure change it will have secured the basis for its next 30 years."

CHINA: "Change In U.S. Attitude Toward Asian Financial Crisis"

Zhao Jingsheng said in official Beijing Municipal Beijing Daily (Beijing Ribao, 12/30): "Until the middle of December, the United States still remained an indifferent observer toward South Korea's request for accelerating the provision of money. But now, the United States has done a somersault and has agreed to increase the emergency aid.... At present, there are still some 35,000 American military personnel in South Korea.... If the unrest in South Korea's financial situation continues, the situation might bring about an even more profound crisis, a consequence the U.S. government is striving to avoid. Another reason for U.S. participation in the aid is that the United States is endeavoring to prevent the crisis from spreading to Japan, the United States' second-largest trading partner. In addition, the Asian financial turbulence has already negatively impacted U.S. export trade and will have a potentially negative effect on U.S. economic growth for 1998."

"Storm Warnings And Economic Development"

Professor Chen Biaoru, of the International Finance Department, Shanghai East China Normal University, wrote in Shanghai Municipal Communist Party-controlled Jiefang Ribao (12/23): "This financial turmoil might give a warning to some East Asian countries to speed up reform, to establish a financial risk prevention mechanism, and to perfect macroeconomic control systems so as to turn today's crisis into more stable economic development in the future."

HONG KONG: "Rising To The True Scale Of The Financial Crisis"

The independent, English-language South China Morning Post's editorial said (12/14): "The worst may not happen; often it does not. But one way of helping to prevent the worst from coming to pass is for those most able to head it off taking concerted action.... There are signs that the attitude of the number-one player may even have turned to something closer to coldness to the crisis. Washington flatly rejected requests by South Korea for early disbursement of the rescue package, and voices are being heard in the United States that perhaps the best course might be to let one Asian country pay the full penalty for its past financial misdemeanors, if only as an example.... That would accord with the puritanical streak that can influence U.S. policy-making, particularly before mid-term elections in which Asia-bashing job protection could win votes for populists on both right and left. As America basks in an aura of prosperity under a president reported to be more interested in golf than international finance, the temptation must be for the United States to take a quasi-isolationist economic stand, lulling itself into the belief that it doesn't need the rest of the world nearly as much as the rest of the world needs it and its almighty dollar."

INDONESIA: "Another American Century?"

The government-oriented, English-language Indonesian Observer held (12/29): "Perhaps, the old U.S. of A. can look forward to another American Century, and not to a Pacific Century as some pundits have predicted. Or, Asia can take the couple of years left in this century to kick themselves back into gear, eventually reclaiming the economic spotlight for the next century.... The entire region remains rich in a variety of assets, knowhow, and resources that will allow it to get the factories humming again. Indonesia can draw a valuable lesson from all this.

"We should...should stick to the IMF advice as well as draw on the great learning of many of our own experts and officials who have been urging many of the IMF's suggestions for years. It will be tough, but it is the only way Indonesia can achieve a real economic recovery."

"War On Corruption"

The signing of the anti-corruption convention sparked this assessment in the leading, independent, English-language Jakarta Post (12/22): "The current financial meltdown in several Asian countries, including Indonesia, has been blamed partly on their corruption-infested financial industries.... We hope the government here has got this message now as the rupiah has continued to slide in defiance of all economic theories."

"Whence Come Rumors?"

The leading, independent Jakarta Post held (12/17): "Public concern about the health of President Soeharto has apparently been exploited by some people to instill fear into the financial markets, leading to the renewed free-fall of the rupiah.... The fact that the wildest of rumors could impinge on business decisions illustrates the precarious condition of the economy."

"U.S. Role In Monetary Crisis Cannot Be Ruled Out"

Armed forces' Angkatan Bersenjata ran this column by Suarif Arifin (12/17): "It is widely assumed that the United States was angry with ASEAN for accepting Burma... The fact that the financial crisis is not occurring outside Asia is probably because the United States has made an in-depth analysis of the behavior of ASEAN leaders and found their weaknesses. Indeed, the United States cannot treat ASEAN as it does Iraq because ASEAN is not hostile. However, it is clear that ASEAN does not want to be dictated to by the United States.... Regardless of assumptions, the rupiah's plunge against the dollar may give the impression that there is a similarity between the people's political power and economic market mechanisms. We have to take firm and serious precautions against such a view."

"What The World Expects"

Leading independent Kompas commented (12/12): "Many parties expect the monetary crisis and economic turbulence to serve as a valuable lesson to Asian countries, a call to develop more solid economies, with specific improvements in the banking and financial systems. If this does not happen, Asian economies will continue to be vulnerable to attacks and crises, just as they are now."

JAPAN: "Aid To South Korea Should Be Transparent"

Moderate Tokyo Shimbun declared (12/30): "No matter how much money we pour into (South Korea), it is like water over sand unless the uncertainty about South Korea's creditworthiness can be cleared away. That uncertainty derives from the lack of transparency of the present situation. The South Korean government should describe its economic situation accurately. The Japanese government should also clarify the total amount of outstanding loans to South Korea. If not, anxiety in the market will be aggravated, and the Japanese domestic financial system could become unstable. Early resuscitation of the South Korean economy is a matter of urgency and one of great importance for security on the Korean peninsula and throughout Asia. However, without accountable financing, (South Korea) could form a morally hazardous dependency on the IMF. That would not be good for South Korea, nor for healthy international finance in the 21st century."

"World Carefully Watching South Korea's Economic Reconstruction"

Liberal Mainichi Shimbun's correspondent Kato wrote from Seoul (12/19): "The new South Korean President must implement drastic economic reforms based on the IMF bailout package, including restructuring of debt-ridden financial institutions. If these steps are not taken, South Korea's international credibility will continue to suffer."

"ASEAN Countries Question Effectiveness Of IMF Aid"

Top-circulation, moderate Yomiuri's Kuala Lumpur correspondent Fujita observed (12/16): "An emergency statement, adopted on Monday, the second day of the informal ASEAN summit...questioned the effectiveness of the IMF loans and international loans initiated by the United States and Japan. The United States and Japan, however, remain adamant in requiring countries that receive bilateral loans to meet IMF conditions. Under these circumstances, a confrontation is likely between creditor countries and debtor nations over the conditions and terms of international relief loans."

MALAYSIA: "Gaining From The Crisis"

The government-influenced English-language New Straits Times declared (12/15): "Few in the international community have bothered to notice how badly Asia's troubled economies are being served by the belated scramble to counter the region's financial problems. The just-announced World Trade Organisation (WTO) agreement on financial services--after six years of negotiations and strident developing country objections--offers the biggest hint so far of the Asian countries' sharply reduced bargaining position. True, the deal would, as its proponents say, increase capital flows, improve quality competition, financial stability and economic efficiency. But that is only one side of the story. The last round of WTO talks in 1995, had come up with empty after Asia's emerging economies balked from opening their markets up to better-equipped foreign competitors. This time, equal market access was hard-sold as a confidence-restoring measure for the badly hit Asians. Several developing countries barely concealed their dismay at having to buy that line in spite of their justifiable fears. International perceptions about Asia have changed, and its once high-flying economies are being made to pay needlessly, without a voice of their own."

PHILIPPINES: "The Economics Of Fear"

The editorial of the independent Manila Standard maintained (12/28): "The biggest challenge we face at this stage can only be described as the 'economics of fear.' The depth of the regional crisis caught everybody by surprise.... We need firm signals from both the political players and the business leaders to shake us out from this condition of reticence."

"On Markets, Democracy, And The Rule Of Law"

Columnist Calixto Chikiamco wrote in the independent Manila Standard (12/28): "I see the current crisis pointing away from so-called 'Asian values' of authoritarianism and limited liberties toward freer markets, greater democracy, and the rule of law. These elements of capitalist democracy and constitutional liberalism represent the rational evolution of failed systems wracked by the current currency turmoil. This is because the flight of capital from East Asia is about capital misallocation. Capital was directed to projects which could not meet its cost of capital--condominiums where there were no buyers, industries where the economy had no comparative advantage, and politically prestigious but economically inefficient projects (cars, airplanes, dams, building towers, etc.) More often than not, in East Asia, these capital allocation decisions are political decisions."

"IMF Might Not Be Good For Asia"

Businessman Calixto Chikiamco observed in his column in the independent Manila Standard (12/21): "Bank closures, which are part of IMF conditionalities, may aggravate the financial panic. This has happened in Indonesia and Thailand. What should be done? Both the United States and Japan should go on an expansionary monetary policy to solve the liquidity crisis and the crisis of confidence in the region.... The IMF might not be good for Asia."

"Asian Crisis"

University of the Philippines professor Walden Bello, in an InterPress news service article in the independent Manila Chronicle, expressed this opinion (12/24): "How could one of Asia's strongest economies unravel so fast?... In the early nineties...the tide turned against the Koreans. Two factors, in particular, appear to be central. The first was the failure to invest significantly in research and development. The second was the massive trade blitz visited on Korea by the United States.... Fearing the emergence of another Japan with whom it would constantly be in deficit, Washington subjected Seoul to a broad-front trade offensive that was much tougher than the one directed at Japan, probably owing to Korea's lack of retaliatory capacity."

"ASEAN Solutions?"

The independent Philippine Daily Inquirer featured this comment (12/18): "ASEAN takes pride in applying so-called 'ASEAN solutions' to Asian problems. Well, there is an Asian problem, but ASEAN has no solution for the currency turmoil. ASEAN economies have turned to the IMF, which to some quarters is the current equivalent of Western neo-colonialism. But if they don't want the IMF medicine, then whose medicine will they take? The problem is they don't even have prescriptions of their own."

SINGAPORE: "Asia's Crisis And Japan"

The pro-government Business Times opined (12/30): "If the New Year opens on a note of renewed optimism in Japan, the opposite can be said of the United States, where the realization was taking hold that the nexus through which the Asian crisis will strike domestic prosperity goes well beyond direct exports. U.S. multinationals with extensive operations in Asia were starting to downgrade earnings forecasts for 1998. That is bound to hurt Wall Street and then the 'feel good' factor generated by high stock prices will begin to evaporate.... As regional currencies begin to stabilize under the impact of capital inflows, authorities will move away from emergency floating-rate regimes and move back towards some form of managed exchange rate. It is highly likely that in the process they will de-emphasize the dollar and give greater weight to the yen. The result of all this will be that the long-mooted 'yen bloc' in Asia will at last begin to become a reality."

"A Plea For Sanity"

The pro-government Straits Times told its readers (12/24): "The downgrading of the credit rating of South Korea, Indonesia and Thailand to junk level at this point in time is most regrettable. With one stroke of the pen, these governments are placed in a category reserved normally for high-risk corporate ventures. They will now find borrowing more expensive. So will cash-strapped companies that operate in these countries. Moody's rating cuts were unprecedented.... The timing of these latest ratings could not have been worse.... The Asian debacle could well be the first warning sign that an unrestrained capitalism that destroys the lives of millions may well devour itself in the end. Remember, fascism rose from the ashes of markets that had failed, and failed abysmally."

"The Values Asia Needs"

The pro-government Business Times (12/24) carried an editorial page commentary by George T. Haley, associate professor of marketing at DePaul University, Chicago, who has previously taught in Mexico, Singapore, Thailand and Australia: "Some Asian values have created one of the great economic miracles in history; others are threatening it. Asians should be proud of the unique characteristics of Asian cultures that have helped create an economic miracle, but they should also recognize the value of some Western values: Transparency and directness. These Western values are good economics; they would help to shorten the global economic crisis that is presently focused on Asia. Additionally, transparency and directness would help to prevent more severe economic problems for Asian countries, such as

Singapore, which have led Asia in creating transparent and well-regulated financial markets."

"The Lesson From South Korea"

The pro-government Straits Times mused (12/18): "'There is nothing to fear but fear itself.' One wishes a South Korean leader had said that, and said it with conviction and credibility. For what happened in that country last week was due to the failure of political nerve, the collapse of gumption and resolve.... Just as a parent would simply turn on the light to reassure a child that there are no goblins lurking in the dark, the only way governments can resolve the market's suspicions of the unknown is to train the spotlight on facts. The Korean leadership failed to do this. Fear was thus allowed to feed on fear, and the mere suspicion that things were not what they seemed soon turned into the conviction that they were far worse than even fear could suppose. The result was what was witnessed last week--a psychologically induced collapse.... This, more than anything else, is what the leadership of every East Asian country has to guard against.... Only decisive political leadership can break the destructive cycle. Markets, like people, will know that fear is irrational when they see evidence of fearless leadership."

THAILAND: "A Time For Reforms, Not Gloating"

The independent, English-language Nation's editorial stressed (12/29), "The verdict on Asia's financial morass, as proclaimed by a procession of economic gurus, was emphatic. The culprit, they said, is the 'Asian model'--a development strategy based on hand-in-glove collusion between governments and businesses. What they badly need now is more liberalization and American-style capitalism. Still, uncomfortable questions remain. How can a nation be held up as a model one day and blamed for mismanagement the next? And why are analysts so quick to pinpoint the 'errors' of these countries, and so eager to recommend specific reforms, when only a few months ago they were recommending investment in these economies? As millions continue to suffer--and the worst has yet to come--leaders from Indonesia to South Korea will be hard pressed to stick to the open market and free trade policies foisted on them by the IMF. It's time that the IMF and its main sponsor--the United States--listen to the voices emanating from Asia. Yes, Asia must undertake reforms to wipe out corruption and to strengthen democracy. But similarly, the global economic system must also undergo reforms."

"The U.S. And Crisis In Thailand"

Top-circulation Thai Rath editorialized (12/18): "It is clear...that the financial crisis, which started in a small countries like Thailand, has sent its adverse effect to almost the whole world.... In this era of globalization, all countries are interdependent. The United States should not deny that it also has a part in creating the crisis, for it is the United States that has taken the lead in pushing for liberalization of financial services and has protected currency traders who have been regarded as speculators engaged in money manipulation that has wreaked havoc on currency values in small countries."

SOUTH ASIA

INDIA: "Occident Prone"

Calcutta's centrist Telegraph featured this analysis by assistant editor Pramit Pal Chaudhuri (12/30): "It is now clear the East Asian miracle occurred because the grabbag of economic policies the region followed was largely in conformity with the mix of capital, labor and markets that made the West what it is today. Also helpful was the United States' Cold War policy of letting these countries have untrammelled access to its market.... In other words, what was Asian about the miracle was largely a mirage.... This year made a formidable case for the American way of doing business--strong on institutions, transparency and domestic answerability. The Asian alternative proved a cardboard cutout. Some Thais are boycotting McDonald's and Pizza Hut. This will do their health good. But to go anti-American on financial regulation will ensure their on-off currency crisis will become a forever recession.... Asia will recover from all this chaos that has made its money funny. But Asian values have been placed on life support."

"New Dawn In Korea"

The centrist Statesman's editorial pointed out (12/23): "Not much is known of Kim Dae Jung's plans to revive his country's economy after the buffeting it has received in the recent past but to the extent that any tough measures can only succeed if the country has confidence in the leader, Kim has a better chance of success than any of his rivals in the election."

BANGLADESH: "Price Of Failure In South Korea"

Conservative Ittefaq editorialized (12/21): "South Korea has no alternative but to swallow the bitter [IMF] pill. They must accept the conditions to receive foreign credit. Failure to properly manage the economy and corruption have brought down the government. This is not bad. This will be an example for the new government and the politicians."

EUROPE

BRITAIN: "How West Cages Asian Tigers In IMF Trap"

The conservative Times featured this commentary by economics correspondent Janet Bush (12/24): "The IMF knows very well that the American banking system was saved and nursed back to health after the 1987 stock market crash because the Federal Reserve pumped masses of liquidity into the economy and kept interest rates low for a long time. It is no mistake that the very opposite is being imposed on Asia. At the same time as the IMF is ensuring a brutal shake-out of Asian financial institutions, it is demanding that Asian governments open their financial markets to foreign investment at their point of maximum vulnerability and when assets are cheapest.... The pact that Asian governments have made with the IMF is positively Faustian. They get billions of dollars in the short term but lose control of their destinies. The 'tigers' will emerge from the current crisis declawed and owned by the West.... The Asian model of economic development may be undergoing an unforgiving reassessment, but the Western model of capitalism is distastefully arrogant and sneering. The Asian economies may come to regret taking the IMF's billions."

"Uncle Sam Sees Off Asia's Paper Tigers"

The independent Financial Times had this commentary by editor Richard Lambert (12/23): "Americans may be excused a spot of gloating. For years, Asia has been held up as a model of how successful economies should be organized. The United States, they were told, was doomed to the slow lane.... Things look different today. The American economy has been gathering strength for six years or more, and is still in robust health....

"(Asia's) economies appear to be melting away by the day.... But some words of caution are in order. The watchful eyes of Wall Street did not prevent the American auto industry from almost driving itself into the ground in the early 1980s, or the savings and loans disaster at the end of that decade. And while it is true that the American economy is in great shape, it is far from a perfect model. Low savings and high borrowings are especially bothersome. And social problems will multiply unless the skills of the American workforce can be improved and broadened.... Sooner or later, Wall Street is going to turn down--and that will be the testing moment."

"Nikkei Nightmare"

The conservative Daily Telegraph had this lead editorial (12/23): "The risk of global turmoil has increased appreciably with the failure of the Japanese government's latest emergency package. Compounding the crisis, the IMF bailout for South Korea...has failed to arrest the relentless slide of the South Korean currency.... So far, the collapsing markets in the Far East have had the perverse effect of driving up bond and equity prices in New York, as money flees to the safe haven of dollar assets. But...there will come a time when Japanese companies, particularly the huge insurance firms, will have to start repatriating their huge holdings of U.S. Treasury bonds to meet obligations at home. That is the moment of acute danger. Fortunately, we are unlikely to see a replay of the Great Depression...but the sharp currency devaluations across the Far East will surely have a deflationary impact on the global system. Cheap Asian goods will flood international markets in 1998, causing job losses in the West and provoking a fierce protectionist backlash that will be hard to control. If handled promptly, the problem can be managed. If the global powers and the IMF persist in seeing the crisis as a local Asian affair, and if they fail to make quick and substantive changes in macro-economic policy, there is a risk that the contagion will spread to the rest of us."

"Trade And Asia Crisis"

An editorial in the independent Financial Times remarked (12/22): "The effect of the Asian crisis on world trade could be very significant, even if its effect on growth is limited. What is essential is that the inevitable concern over trade balances does not translate into damaging protectionism. Policymakers must be on their guard."

"Forget Tigers--Keep An Eye On China"

The liberal Guardian ran this commentary (12/17): "Asian countries have been told that they now have no option but to adopt American-style free markets. But it is a mistake to welcome economic difficulties in East Asia as proof that the Asian model of capitalism is finished and the American free market universally triumphant. More likely they are a prelude to an economic turbulence that will shake every Western economy, not least that of the United States.... When Western free marketeers crow over the economic difficulties of Asian countries they are showing themselves to be--not for the first time--myopic and hubristic. No doubt some Asian economies need far-reaching reforms. But financial crisis in Asia does not augur the universal spread of free markets. Instead, it may be the prelude to a global deflationary crisis, in the course of which the United States itself recoils from the regime of free trade and deregulated markets that it is currently seeking to impose in Asia and throughout the world."

FRANCE: "Warning Signals"

Gilles Bridier remarked in centrist La Tribune (12/22): "Stock market operators are being extremely careful because South Korea's economy is sending confusing signals. IMF experts acknowledge that they were too optimistic in their assessment this past autumn. Today, when they express their 'cautious optimism' on the consequences of the crisis, they also underscore the 'considerable uncertainty' of the crisis and the means to resolve it....

"Operators are therefore not convinced that the clean up operation is underway. And Wall Street will continue to send warning signals, as it did on Friday."

"The Ripple Effect"

Gilles Bridier opined in centrist La Tribune (12/24): "Korea...cannot hope to come out from under without making many sacrifices.... Even then, the impact will have resounding effects beyond Asia. While that region of the world helped to accelerate growth on other continents, it seems obvious, unfortunately, that the crisis will have a direct effect through Wall Street on other financial markets, including Europe."

GERMANY: "Korean Problems"

Ernst August Ginten observed in an editorial in right-of-center Die Welt of Berlin (12/30): "South Korea's bankers and politicians can heave a sigh of relief. American, but also Japanese and European banks, are checking whether they should restructure debts and prolong repayment periods. And the promised IMF funds will be transferred to the country quicker than planned. The market again believes in the power of capital and the won is recovering. But for newly elected President Kim Dae-jung, the warm shower of money is only an urgently necessary relief to begin with the overdue structural reform process.... In concrete terms this means that the government must liquidate insolvent banks.... The collapse of companies and mass dismissals will be unavoidable, but this must be supported by social measures. In order to regain the confidence of the donors, South Korea's government must...fully implement the course which was prescribed by the IMF without the population revolting against it, thus driving investors out of the country. This is political donkey's work that could last years.... The South Koreans only have three possibilities in order to stimulate the economy again: They will become either as innovative and efficient and thus as rich as the Japanese, or they find a profitable niche on the global market, or they will become as poor as the Chinese."

"Asian Depression"

Karl Grobe's editorial in left-of-center Frankfurter Rundschau commented (12/29): "The collapse of the South Korean economy, financial crises from Tokyo via Hong Kong to Bangkok and Jakarta are shocking not only merchants, investors, brokers, and traders but are depressing peoples as a whole. Psychological consequences have an immediate effect on politics. The gainfully employed--usually those forces who are not full-time workers--have to bear the brunt of the burden.... Their economic disillusionment and their social decline will have unforeseeable consequences and probably lead to fierce nationalistic reactions in view of the influence of the IMF."

"Link Loans To Tough Conditions"

Centrist Bonner Express (12/27) argued: "The strong tiger from the past is turning out to be a paper tiger without teeth. By a hairsbreadth, South Korea avoided bankruptcy. However, the country survived not on its own steam, but with generous loans from the countries abroad.... The times of breathtaking successes and an almost unlimited growth are over. Sobriety is spreading, since the whole system was based on loans and on worthless, dishonored bills. Only one step can help now--pulling the emergency brake. This is why it is important that international loans are linked to tough conditions."

"Potemkin Villages"

Right-of-center Saechsische Zeitung of Dresden (12/27) had this to say: "The case of Seoul is another indication of the fact that the economic miracle of the highly-praised Southeast Asia was built on shaky ground.

"And this miracle was supported by big international commercial banks which obviously did not check closely enough whether all ambitious projects of the tiger states were realistic at all. Obviously there are some reliable bankers whose minds stopped thinking once they imagined the profits they could expect. We have learned these days that not only some planned economy experts in Eastern and Central Europe left Potemkin villages."

"Asian Time Bomb"

Daniel Rhee-Piening concluded in an editorial in centrist Der Tagesspiegel of Berlin (12/24): "The enormous ups and downs at the United States and European stock markets are a harbinger of things to come. In South Korea, the situation is particularly worrisome.... It will take a lot of time and money before the necessary confidence will be restored, but the global community has no other choice but to help out. The international economic nets are now so tightly woven that everyone is in the same boat. In Asia...a fire has broken out that needs to be extinguished before the clouds of smoke choke us."

ITALY: "South Korea On The Brink"

Provocative, classical liberal Il Foglio had this comment (12/30): "The main American commercial banks have agreed to renew loans to South Korean banks.... On the other side, the new Korean president convened trade union leaders.... However behind all this there are American, Japanese and European fears that South Korea might find a common 'link' with North Korea and ally itself with China, thus creating a new equilibrium in Asia. The crisis will be a long one.... The Seoul Stock Exchange has not fully re-stabilized, but the new president's statement that Western capital is welcome in Korea is not only important for economic liberalization, it was a political signal, a double-edged one. Westerners are welcome, but if they do not come in force to the rescue, we can turn to the Red East."

RUSSIA: "Which Is Worse, Sickness Or Cure?"

Dmitry Kosyrev had this to say in Centrist Nezavisimaya Gazeta (12/24): "The proposed terms are standard. But accepting them means a complete and absolute dismantling of the economic model that ranked South Korea 11th in the world and at various times brought success to Japan, China and Southeast Asian countries. Which is worse, the sickness or the cure? That many neighbors in Asia face the same dilemma is no consolation to the new president who, rather than enjoying the 'golden autumn of a politician,' will have to engage in hard battles for the survival of his nation."

HUNGARY: "Korean Skimming"

Top-circulation Nepszabadsag ran this editorial comment (12/15): "(South Korea's) industrial barons, who accumulated vast sums of external capital on foreign markets, aimed at easing their domestic liquidity problems through corruption. Democratic politicians who got into power easily managed to take the key positions of the corrupted 'selectors.' But there is one tiny little thing we should pay attention to. Having achieved relative balance and stability, the Koreans immediately began 'skimming.' They started to use the slightest economic growth for massive investments in their infrastructure and for an almost unlimited increase of wages. And they did that with the almost full consensus of the society. The people of Korea, who had suffered a lot, deserved it, politicians kept saying. But Korea, in the meantime, lost all it had gained earlier, and now, with the IMF decree, all they can do is to regret this humiliation. Small country, great nation, that is probably the only common feature we (and South Korea) share."

SPAIN: "Danger--Serious Global Recession"

Barcelona's centrist La Vanguardia noted (12/22): "The IMF's revised report of economic forecasts [in which it foresees somewhat diminished world growth as a result of the events in Asia] is reassuring up to a point in that...it shows a lower growth rate than previously forecast for 1998, although hardly threatening a global recession. Nevertheless, the IMF also stated that the crisis could intensify and spread in the coming months, which precludes an excess of confidence for the future.... The great risk resulting from [the downturn of economic activity within certain Asian countries], when combined with the extraordinary devaluations in their currencies--excluding, fortunately, Japan and China--is that exports from the affected countries could flood the United States and Europe, causing serious trade tensions. If such tensions were to degenerate into open tariff wars, then we would indeed be facing a serious risk of global recession."

LATIN AMERICA AND CARIBBEAN

ARGENTINA: "The Key Issue Is Domestic"

Business-financial El Cronista front-paged this editorial (12/12): "The Korean collapse is not metaphoric, it is a description of a fact.... A great exporting industrial power--the epitome of the Asian development model--is, technically, bankrupt. Financial globalization made the structural crisis of its Asian development model explosive. Now, before moving forward with direct financial aid, the United States is demanding that South Korea dismantle its protected and subsidized capitalism, in which the financial system has a passive role.... It is not exporting power that is the key to a developing country's international participation in the decade of the '90s. The decisive issue is the solidity of its international economic institutions. This is the tremendous weakness of South Korea, a great industrial exporting country. An extraordinary lesson for Argentina."

BRAZIL: "Shock Waves From Asia Will Continue To Hit Other Markets"

An editorial in center-right O Estado de Sao Paulo said (12/26): "(Brazil's) Central Bank is opting for an extremely cautious reduction of the interest rates, despite all its accomplishments in the last two months to reduce the vulnerability of Brazil's economy from a speculative attack. Despite the agreements advancement with the IMF, they are still far from allowing anyone from seeing the light at the end of the tunnel.... It seems more like the end of the beginning instead of the beginning of the end.

"The difficulties in the participation of the IMF in Asia are being magnified by the high degree of ambivalence...in the complex relations between the United States and Japan. The American government understands very well the fundamental role that Japan plays in the resolution of the Asian crisis. The American government has shown great resistance to the idea of Japan's leadership in efforts to overcome the Asian crisis. There are many reasons to believe that the overcoming of the Asian crisis promises to be slower than what many imagined.... The shock waves will continue affecting the operations of emerging markets, even those far distant from Asia."

"Another Tremor In Asia"

An editorial in liberal Folha de Sao Paulo declared (12/12): "The financial markets are also evaluating certain political implications.... The process of democratization (in South Korea) may conflict with the bitter demands made by the IMF."

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