ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

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

CREATION DATE/TIME:13-MAY-1998 12:13:00.00

SUBJECT: Daily Digest 5/13: UNREST IN INDONESIA

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

TEXT:
As the death toll mounts amid continued protests and violence in Indonesia--with six students reported killed during clashes with security forces at Jakarta's Trisakti University yesterday--analysts in Asia, Europe and Latin America worried that it would be difficult to stop "the momentum of violence" throughout the archipelago. Observers in many quarters echoed the view of the liberal Canberra Times, which saw Indonesia's President Soeharto "fighting a desperate battle to reconcile competing forces that are tearing his country apart." That paper and dailies in all regions noted that "only political reforms" could save Indonesia now, but a growing number of voices judged that "time and tide" might be working against the Indonesian leader. These analysts held that the promise of reform by 2003--the end of Mr. Soeharto's current term in office--would not serve to quell the unrest. Writers in all regions judged that the role of the Indonesian military was "critical" to determining whether Mr. Soeharto will be able to survive the turmoil besetting his country. A Thai writer
joined
London's conservative Times in suggesting that "there was still time" for Mr. Soeharto to "save himself" with a "dignified resignation." Following are highlights of the commentary:

INDONESIA: 'POLITICAL REFORM URGENT'--Dailies from across the political spectrum in Indonesia stressed that political reform was an "urgent and absolute necessity." The leading, independent Jakarta Post, for example, stressed that the riots in Medan, North Sumatra, last week "could be a last warning to the government to act quickly" in addressing the need for political reform. Independent Media Indonesia, breaking a long-held journalistic taboo in Indonesia by referring directly to the deaths of the students on the campus of Trisakti University, insisted that the Indonesian House of Representative (DPR) must prevent further bloodshed by spearheading the necessary reforms. "The streets must not be used as the arena...for reform," that daily held; "the struggle for reform should sound in the DPR." Muslim, intellectual Republika concurred, but wondered if parliament members "(had) the nerve to meet the demands of the public." The Jakarta Post also noted the pro-reform stance of the Association of Indonesian Muslim Intellectuals (ICMI), an association founded by Indonesia's current vice president, B. J. Habibie, citing it as proof that "the movement for reform has reached a point of no return."

DILEMMAS FOR U.S., IMF AS INDONESIA 'SLIDES INTO CHAOS'--Commentators in South Korea, the Philippines and Thailand discussed the dilemmas facing the U.S. and the IMF as the "chaos" worsens in Indonesia. In Seoul, conservative Chosun Ilbo noted the "warning signals" sent by the U.S. and urged President Soeharto to heed them. Seoul's conservative Segye Ilbo argued that, because of Indonesia's strategic importance, the U.S. "had no option but to support" Mr. Soeharto. In discussing the IMF, Manila's top-circulation Business World condemned the IMF for allegedly "destroy(ing) the lives of those it wants to help." Singapore's pro-government Straits Times saw the IMF's "painful" reforms as necessary, but urged the body to find a way to "relax the terms" imposed on Indonesia.

This survey is based on 41 reports from 12 countries, May 7 - 13.

EDITOR: Kathleen J. Brahney

EAST ASIA AND PACIFIC

INDONESIA: "DPR Must Spearhead Reforms"

The independent Media Indonesia commented (5/13): "Thumbs up for those professors who have taken the direct way, conveying their concerns to the House of Representatives (DPR), the honorable institution that is authorized to represent the public's interests and heed the public's voices. We continue to warn that the calls for reform being shouted in the streets are too risky and could lead to disaster. The current situation has brought us to the edge of a catastrophic abyss. Yesterday, in a campus long regarded as a peaceful one, Trisakti University in Jakarta, victims fell. Although the numbers still differ, this is a very dangerous situation. What we had worried about has now happened: Demonstrations have led to deaths.... Now, before it is too late, we all have to agree that the streets must not be used as the arena to urge for reforms. The streets remind us of 'the killing fields.'... The struggle and demands for reforms should sound in the DPR. If this institution is not reliable, make

it regain its credibility. If the DPR is only part of the pretense, make it become honest to serve its conscience and the national conscience."

"How To Avoid Further Victims"

In the editorial view of leading, independent Kompas (5/13): "We do not know whether the two parties, the students and activists on one hand, and the security apparatus on the other, can clearly see their respective circumstances, their differences and similarities.... The rhythm of reform is much faster and more intensive. This is partly due to the earlier, inadequate response to the criticisms.... In such a sensitive and emotional situation, all parties must be willing to capture the...substance of the crisis we all facing, and develop an understanding of their respective capacities in order to avoid violence."

"Desperate Move"

The leading, independent Jakarta Post pointed out (5/12): "Bank Indonesia raised its benchmark interest rate across the board again to as high as 58 percent...to rebuild confidence in the rupiah and to curb inflation. (This) is a desperate move to cope with a desperate economic situation which has seen the rupiah collapse.... Fears nevertheless are rising over the perception that a slow, lukewarm response by the national leadership to the increasing demand for political reform will only make people more restless and increasingly impatient.... Since the people's sufferings will likely increase before the economy begins to stabilize, tempers could easily flare and explode into nation-wide violence. The massive riots in North Sumatra could be a last warning to the government to act quickly, firmly and consistently in addressing the demands for political reform to establish good governance. Without solving the fundamental political issues of the crisis, the government's painful reform measures will not bring the rupiah to a level strong enough to stop the country's economic bleeding."

"Reform In Parliament"

Muslim intellectual Republika held (5/12): "House Speaker (and ruling Golkar Chairman) Harmoko determined that any reform package should include changes in the election law, the anti-monopoly law, the law on consumers' protection, the subversion law, the law on the eradiction of corruption eradication...[in addition to] limiting the presidential terms of office.... For all this, the House of Representatives is racing against time. Changing that many complicated and important laws will break the taboo that no one thus far dares to touch. We will see whether the parliament members have the nerve to meet the demands of the public or other parties."

"Challenge Of Globalization--Faults Become Visible"

The government-oriented, English-language Indonesian Observer maintained (5/12): "We feel we should speak out with our reservations against the speculative tone of foreign media reports concerning current conditions in Indonesia which, if they are to be believed, indicate that Indonesia is ready to tumble into an abyss of economic and political chaos. Negative reports about Indonesia should not dim our enthusiasm to compete with other nations, nor should they slow our spirit to continue reforms. One aspect of globalization is that information from around the world will reflect both our successes as well as our weaknesses during the last 30 years of national development. This is the real challenge."

"U.S. Aid Will Invigorate Indonesian Industry"

Independent afternoon daily Suara Pembaruan said (5/10): "In the context of U.S. Exim Bank aid, we underscore that the desire of the Unied States is to maintain its trade relations with Indonesia and other Asian countries, demonstrating U.S. optimism. This will spur trade...(but) what is mainly needed now are economic and political changes. Indonesia has to ensure that the current economic reforms will continue--including political reforms."

"Violence Against Journalists In Indonesia"

The independent Media Indonesia told its readers in an editorial (5/10): "We can recall the July 27, 1996 incident in which a number of journalists on assignment were tortured by security apparatus.... Today, as student unrest prevails, the apparatus is again repeating its violent acts against journalists. When covering a student demonstration in Medan, Antara reporters received mistreatment by the apparatus. Journalists from Republika, Pikiran Rakyat [of Bandung], Aksi tabloid, and Jawa Pos [of Surabaya], were deliberately beaten up by the security apparatus when they were on assignment.... Now is the time for such harsh acts to receive stern action. Such acts...but could...be a precedent for future mistreatment."

"Student Protests May Spur Race For Reform"

The leading, independent Jakarta Post featured this page-one column by Soedjati Djiwandono, who stressed (5/9): "Political reform is an urgent and absolute necessity. We are racing against time. Without reform, it is hard to imagine what may happen to the nation's social, political and economic life. This is the significance of the student protests. They will hopefully help wake those 'representatives of the people' from their lethargy, inertia and complacency....to realize the enormity of the crisis,
with all its possible dire consequences and implications for the people."

"Golkar's Flip-Flops"

Independent Media Indonesia contended (5/9): "Golkar would be remembered as a true reformer if it changed the laws on political parties, and if Golkar recalled its faction members who have been recruited because of nepotism. If Golkar only wants to limit the presidential terms of office, excuse us, that would not be a remarkable thing, since it only demonstrates the superficial thoughts of Golkar."

"Economic And Political Reforms Needed"

Leading independent Kompas maintained (5/8): "Economic reform is only one of the things that will put the national economy back to its feet. The other is reorganizing the socio-political life in an attempt to create a climate conducive to economic growth.... Self-restraint on one hand and commitment to carry out reforms in the non-economic sectors...are both necessary."

"ICMI Has Joined In"

The leading, independent Jakarta Post opined (5/8): "Wednesday's statement by the Association of Indonesian Muslim Intellectuals (ICMI, an association founded by Indonesia's current vice president, B. J. Habibie) is surprisingly straightforward in its call for immediate reform, although many might take it as a better-late-than-never step. It is true that two other social organizations, Muhammadiyah and Nahdlatul Ulama, and numerous academics have...made similar calls during the nation-wide student-led pro-reform movement. But ICMI's stance...touches more sensitive issues which the ruling elite have thus far roundly opposed.... (This) should...convince any waverers among publicly aware citizens that the movement for reform has reached a point of no return since so many people have jumped on to the bandwagon..... Many also understand that covert proposals for reform, as announced by the government last week, will act as a symptomatic painkiller but will not heal the national disease. ICMI, by its statement, clearly hopes that the people in the ruling elite will be
wise enough to read the signs of the time correctly and not be too late to climb aboard the reform bandwagon."

"Does ABRI Speak For Nation?"

The independent Media Indonesia held (5/8): "According to the Armed Forces (ABRI) Commander-in-Chief General Wiranto, the reforms that the students are demanding have already been put on the national agenda.... Such an acknowledgment should be seen as a victory for the students. Indeed, the question remains as to whether ABRI has the authority to speak on behalf of the whole nation.... ABRI, along with the House of Representatives and the executive body should soon make public a complete list of the proposed reforms. We do not wish to waste our energy day-to-day just to slap our own face."

"No More Criticism"

According to the government-oriented Indonesian Observer (5/8): "In what seems to be his response to growing student protests that have continued unabated, Armed Forces Commander-in-Chief General Wiranto has said that he has just about had enough with criticism.... Perhaps...at a loss on how to cope with (the violence in Medan) it, Wiranto has now set his sights on the critics. Instead of dealing with the problems, Wiranto is blaming its messengers.... We sympathize with Wiranto's predicament. But we would do so even more if he had devoted more time to finding out what lies behind the problems, and deal with them honestly, instead of blaming critics."

"Victims Fall, DPR Does Nothing"

Independent Berita Buana's editorial judged (5/8): "It is indeed very sad to see that (the House of Representatives) has done nothing during the months of crisis.... The government and armed forces officials should be careful in making...claims that the students are being used. Whether or not (the students) are being used, the people need to see that their basic needs are available at reasonable prices."

CHINA: "Indonesia Sparks G-8 Concern"

According to the official, English-language China Daily (5/11): "Although individual ministers were outspoken in their condemnation of the political atmosphere in Indonesia, the G-8 ministers' official joint communique did not mention the problem. The Asian crisis in general got only passing reference. This was in contrast with the last finance ministers' meeting in April, when they singled out Indonesia among the crisis-hit Asian countries, saying it must implement the IMF reforms, including steep cuts in subsidies."

"Indonesian Riots Raise Concern"

Under the above headline, Yu Yang remarked in the official, English-language China Daily (5/9): "During his visit to Jakarta last month, Foreign Minister Tang Jiaxuan said the Chinese government will not interfere in the domestic problems of Indonesia and will not pressure the Indonesian government on the increasing violence against naturalized but ethnic Chinese in the country."

AUSTRALIA: "Soeharto Fighting Desperate Battle"

The liberal Canberra Times (5/8) said in an editorial: "Indonesia's

President Soeharto is fighting a desperate battle to reconcile competing forces that threaten to tear his country apart. The indications at this stage are that he will not succeed--time and tide are against him.... Indeed, it is the IMF on the one side and growing popular dissent on the other that will fracture and rend the Soeharto regime."

"Indonesia On The Brink"

The liberal Sydney Morning Herald's editorial (5/8) commented: "President Soeharto must be able to convince Indonesians that...the hardship that accompanies reform will be shared by all Indonesians.... The first family must be made to shoulder much more of the pain of reform.... A judicious use of loans and credits may alleviate some of the suffering at the bottom--and buy time for much-needed political reforms to actually make a difference."

PHILIPPINES: "Unrest Testing Army's Loyalty To Soeharto"

The independent Philippine Daily Inquirer's editorial said (5/7): "Although the army has remained loyal to Soeharto, and even went solidly behind him in his quest for a seventh five-year term...the widening campus unrest is testing not only the army's patience but also its loyalty to Soeharto. If Soeharto is seen to be standing in the way of reform and turning into a principal cause of unrest, the army would have to make a choice between shooting the students and asking him to step down in the interest of political stability and public order."

"IMF Out Of Control"

American businessman and regular columnist Daniel DeLong wrote in the top-circulation business Business World (5/7): "Clearly, the IMF is out of control. In beleaguered Indonesia...it destroys the lives of those it wants to help.... By removing subsidies, the IMF has condemned Indonesia's people to live the life of hardship beyond imagination. Perhaps the IMF believes the people will be so fed up with the situation (they will) stage a revolution. If this is the case, the IMF shouldn't have agreed to a $43-billion bailout in the first place."

SINGAPORE: "Is IMF Fiddling While Indonesia Burns?"
Columnist Tan Sai Siong noted in the pro-government Straits Times' weekly commentary, "Looking Back in Wonder" (5/9): "Indonesia is teetering on the brink of catastrophic civil unrest. But having made solemn promises to the IMF, its government has no choice but to inflict the sort of pain on the people--such as the massive fuel price hikes--that is like putting acid on a raw wound.... Let the international community and the IMF recall Nero. Stop the fiddling and heed the millions who are now proxy sufferers for those on whom the IMF is trying to impose discipline. Better to find a way to act more humanely now than to lose a horse later for want of a shoe when it was most needed. Indonesia can't go back on its word, but the IMF and its backers could relax the terms. It really doesn't profit the international community to have a Soeharto government that keeps its word with the IMF, if in the process Indonesia loses its stability and descends into chaos."

"Violence Won't Help"

The pro-government Straits Times concluded (5/9): "It would be most unfortunate if Indonesia should unravel at a time when Mr. Soeharto finally embarks, after months of temporizing, on a slate of reforms that promises to change the way the government and economy work. Implemented faithfully, the wide-ranging reforms sanctioned by the IMF will address some of the problems of corruption and cronyism that his detractors have been complaining about.... (Mr. Soeharto) feels duty-bound to stay in office in this critical hour to ride out the country's difficulties, whatever it takes. His opponents think otherwise and want him out now.... For (Mr. Soeharto), the best way out is to defuse social tension without having to order a military crackdown. Violence, at any rate, is not going to provide the solution. What he needs is a new understanding with the people, who want to be convinced that real changes are being implemented to restore confidence in Indonesia. This is easier said than done, not least when the masses are frustrated and angry."

"Medan Riots Embolden Key Players To Support Political Change"

The pro-government Business Times featured this comment (5/9-10) by Jakarta correspondent S.N. Vasuki: "An uneasy calm returned to Medan yesterday, after four days of rioting that sent jitters across regional financial markets. Analysts feel that the political repercussions from the Medan riots will be felt long after the dust has settled in the North Sumatra town. The Medan riots are significant because it has emboldened several key players in the Indonesian establishment to voice support for political reform.... To be sure, it is premature to read too much into statements made this week in favor of political reforms by the Indonesian Armed Forces (ABRI) commander-in-chief General Wiranto and the Indonesian Association of Muslim Intellectuals (ICMI). But it is fair to state that the momentum toward political reforms is gradually building up in Indonesia."

"Ripples From Rupiah's Fall"

Vikram Khanna, regional analysis editor, commented in the pro-government Business Times (5/8): "The crisis has gone beyond economics.... Recent events in Seoul, Jakarta and, especially, Medan in Indonesia, have put paid to this idea. It is now clear that money managers are explicitly factoring in political risk in their trading decisions, something they will increasingly do as the next series of painful and controversial reforms get underway in Indonesia and elsewhere. How deftly governments in the region deal with gathering social and political unrest may thus be as important as the behavior of economic aggregates in determining how Asian markets behave. Contagion is still with us.... While the markets may some day get around to discriminating between good and bad in Asia, they're not quite doing it yet. For now, Asia's economies are in this crisis together."

SOUTH KOREA: "U.S. In Dilemma Over Indonesia"

Conservative Segye Ilbo judged (5/11): "The United States is in a dilemma over how to deal with Indonesia. Basically, the United States has no option but to support President Soeharto because of the priority of maintaining economic stability in the country. The dilemma for the United

States, however, is that continuing support for the administration risks more rioting like that already spreading across the country, and this will be a greater threat to the country's social and political stability. We note this dilemma in the United States' cancellation of joint military exercises while at the same time supporting the disbursement of billions of dollars in loans to Indonesia.... Although the United States is demanding that the Indonesian government refrain from forcefully suppressing demonstrators, it no longer links financial assistance to how the Soeharto administration handles them.... The bottom line is that the United States cannot afford to entirely ignore Indonesia's strategic importance, so it cannot do much at this point but watch the situation closely."

"Indonesia In Chaos"

Anti-establishment Hankyoreh Shinmun maintained in an editorial (5/9): "Indonesia should not expect to be able to restore order by using the police and military to suppress demonstrators. This is not the way to address the situation.... The United States is telling the Indonesian government to allow peaceful demonstrations and to respect the demonstrators' human rights. It will be in the interest of the Indonesian government to listen, especially if it wants to avoid a national catastrophe.... It is time for President Soeharto to make a final decision about what he should do. If he continues to ignore the outcry for political reform, the military, which so far has been protecting the government, may take the side of the people. The people are demanding a broad range of political reform by the Soeharto administration."

"Indonesian Shock"

Pro-business Joong-Ang Ilbo had this editorial view (5/9): "It seems that the only solution for Indonesia is to carry out political reform. Without it, economic reform cannot be complete. Furthermore, without political reform, the government's efforts to push the people through painful economic reforms will not produce the results the government badly needs. Although President Soeharto stressed that he has no plan to step down until the year 2003, political reforms are what the country needs now to bring any sense of resolution to the current situation.... What is happening in Indonesia is no longer an isolated incident. There are plenty of signs that an 'Indonesian shock' is on the way, with neighboring countries' currencies drastically plummeting in value and stock prices hitting bottom."

"Indonesia In Turmoil"

Conservative Chosun Ilbo told its readers in an editorial (5/8): "While the military still remains loyal to the Soeharto administration, Islamic forces are beginning to support the demonstrators. What should worry the administration is that the demonstrators have taken up political themes, going way beyond the initial discontent about economic hardship.... A critical question for now is how much longer the military will protect the current administration. The situation seems to have turned for the worse. The United States is sending warning signals, and President Soeharto should heed them."

"Indonesia Is Shaken"

Moderate Hankook Ilbo (5/8) commented: "The Indonesian crisis is riding the rapids.... The (Soeharto) administration, which is certainly facing its greatest crisis ever, is torn between the need to demonstrate its will to carry out reform programs and the need to stop the protests.... There is an overriding suspicion about the administration's decision to carry out tough reform measures--which many thought would only provoke the public--so quickly. Some see it as a tactic to avoid international pressure to root out cronyism.... The government's tough stand against demonstrators is solidifying anti-government forces, although the demonstrators are not yet united.... Meanwhile, the military also faces a challenge in its relations with the current administration. It may want to become more independent of the administration so it can have a say if the situation deteriorates further."

THAILAND: "Today Is Late--An Essay For Soeharto"

Pichian Kuratong commented in elite Matichon (5/13), "[Soeharto] has let 30 years slip by without bothering to notice the demises...of some of his peers like the Philippines' Ferdinand Marcos and Romania's Nicolae Ceausescu and others of the same ilk.... Today is a little too late for Soeharto to expect a pedestal offered him by Indonesians as all he can inspire in them are frustration and hatred."

"Soeharto Should Step Down"

The lead editorial in elite, business-oriented Krungthep Turakij commented

(5/12), "The pressure building up in Indonesia could turn explosive at any time if President Soeharto still resorts to using force to quell popular unrest. This is the last chance for Soeharto to either step down gracefully or step up the pressure on the demonstrators and face the undesirable consequences.... The option suggested yesterday by opposition politicians that Soeharto step down to make way for a genuine political reform in Indonesia could be the best possible solution to the volatile situation."

"Indonesian Upheaval"

Kasem Atchasai commented in conservative Siam Rath (5/12), "There seems to be no quick end in sight for the upheaval in Indonesia since neither side is willing to soften its stance.... The call to unseat Soeharto comes at the right time, since the country's economy as well as Soeharto's position are equally in a shambles... What is totally wrong and shameful is the venting of anger and frustration on ethnic Chinese Indonesians.... While there is no telling yet if the students will succeed, one certainty is that more lives will have to be sacrificed, since, as a rule, no democracy can be realized without bloodshed."

"The Impact From Indonesia"

Top-circulation Thai Rath's lead editorial emphasized (5/12): "Among the variables which will determine whether Asia's recovery will be quick or slow is Indonesia.... Economic progress under 30 years of Soeharto's rule had made the limitation of political freedom bearable. [The last straw came] with the economic crisis that has instantly impoverished at least 40 million Indonesians."

"Challenges Facing Soeharto"

The independent, English-language Nation's lead editorial stressed (5/10): "After a series of evasive pledges to look at reform after 2003, Soeharto last week told a meeting of top government, political and military officials that he favored discussion on political reform. The government also said changes would be made to electoral laws in time for the next general elections in 2002. Given Soeharto's track record, his dealings with the IMF and the appointments to his last cabinet, he has much work to do to restore his credibility. The easiest way to do this will also be the most difficult: he must show his family shares some of the pain. Ordinary Indonesians cannot be allowed to think they are suffering alone while the first family and the president's friends continue to prosper. Then he must quickly set in motion a program for reform that leads to the direct election of people's representatives. At stake is not only Soeharto's political legacy, but economic and social peace and order in Southeast Asia."

SOUTH ASIA

INDIA: "Indications Of Civil War In Indonesia"

Magsaysay Award-winning columnist Amitabha Chaudhury opined in Calcutta's independent, centrist, Bangla-language Ananda Bazar Patrika (5/7): "The extent of the devastation that swept over the economies of Thailand, Malaysia, Indonesia and even Korea...was totally unexpected. The terrible calamity of Indonesia is unparalleled, even among these devastated economies.... Is Indonesia not the best proof of how false...neo-capitalism, or the market economy, or a developing system dependant on open markets, or the so called globalization is?... Two hundred million unfortunate people of Indonesia will have to pay its price."

EUROPE

BRITAIN: "Indonesia Smolders"

The conservative Times opined (5/12): "Indonesia's allies are desperately seeking ways for an orderly transfer of power. The Americans, the IMF and neighbors fear the contagion of unrest and the devastating effect on Indonesia's brittle unity. But Mr. Soeharto has the stubbornness of old dictators who see the danger signals too late.... Mr. Soeharto should save himself, his country and his reputation. There is still time for a dignified resignation."

GERMANY: "Will Indonesians Shake Off Their Fetters?"

Maritta Tkalec maintained in an editorial in left-of-center Berliner Zeitung (5/11): "The networks President Soeharto and his proteges have set up in the country makes reforms, which could save Indonesia, impossible. The democratization of the economy and society would be the end of the Soeharto company. Even generals and top politicians are now warning against a collapse of the country...and an increasing number of people are joining the protesting students. It is true that Soeharto is now trying to ease the pressure by announcing reforms, but all indications are that halfhearted changes, which would have been a sensation a few months ago, will no longer be enough. South Korea and Thailand have shown how the tigers can shake off old fetters. Indonesia is faced with profound changes."

"The Momentum Of Violence"

Sven Hansen opined in an editorial in left-of-center Die Tageszeitung of Berlin (5/8): "When people who have been loyal to Soeharto are now calling upon the dictator to implement quickly political reforms, this could be the last chance to prevent an uncontrollable outbreak of violence. Soeharto still sits firmly in his saddle, but in Jakarta, students have already demanded on banners that Soeharto and his family be hanged. If he refuses to accept reforms, the outbreak of violence could soon also be directed against the dictator himself."

"Indonesian Writing On The Wall"

Werner Adam noted in an editorial in right-of-center Frankfurter Allgemeine (5/8):
"A storm is brewing on many of the Indonesian islands. Savings measures and simultaneous price hikes are like writing on the wall which has resulted in increasing support for the protesting students. If the rulers had offered a good example, the Indonesians might have shown a certain degree of understanding for the drastic measures of the IMF and the World

Bank. But it is probably necessary to use force to prevent President Soeharto from increasing the wealth of his family even more."

IRELAND: "Indonesia Risks Sliding Into Chaos"

The moderately conservative Irish Times emphasized in an edtorial (5/11): "Indonesia is...a political tinderbox on a grand scale. It is the fourth most populous country in the world and, in many respects, a case study in how the West has handled Asia's economic crisis. On the evidence of the IMF policies pursued so far, there is a great deal to be learned about marrying structural economic reforms with the political changes required to put them into effect. The Group of Eight industrialized countries meeting

in Birmingham this week should ponder the lesson of Indonesia long and hard. They will share a large part of the responsibility if the Suharto regime falls over the edge into political chaos."

LATIN AMERICA

ARGENTINA: "Indonesia Spewing Fumes'

Ruben Guillemi wrote in leading Clarin (5/13): "Today Indonesia is spewing

fumes like its legendary volcano Krakatoa. The rich (the ones close to the government) have started to leave their cars at home and, in order not to attract attention, prefer to take those precarious vehicles of local manufacture which are far cheaper.... While the country is going through its worst crisis in three decades, life president Soeharto, who has been governing since 1965, seems to be beyond good and evil. On tour in Egypt he warned the population that 'painful sacrifices' are still ahead to overcome the crisis.... The 'plumes' of social unrest and the student demonstrations are occurring in one of the countries with one of the worst indexes of income distribution.... Everything in Indonesia belongs to the circle of friends and relatives of Soeharto: his 36-minister-cabinet, the various political positions and the huge companies. Nothing escapes from Soeharto. But the crisis can escape from his hands if he does not tune his
ear to listen to the opposition's complaints, which yesterday, on Jakarta's streets, demanded 'the end of the most corrupt regime in the world.'"

BRAZIL: "New Flash Points In Southeast Asia"

Liberal Folha de Sao Paulo said in an editorial (5/10): "The Asian crisis seemed to have been reduced to a firefighting operation in the last two months, limited to negotiations between debtors and creditors. However, under the smoke of a fire apparently under control, new flash points may be hidden.... In (Indonesia), economic reform is at a stage at which it appears that only under the threat of guns will it be possible to proceed. Faced with the social impact of a brutal recession, there is no way to use the IMF without making the Indonesian Army an essential part of the economic policy.... More than an economic crisis, Asia is experiencing a

crisis of the state.... Market adjustments may increase the social and

political trauma, making controlling the financial fires, which up to now

(have been) regional ones, even more difficult."

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FOREIGN MEDIA REACTION
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SHINGTON DC 20547 OFFICE OF RESEARCH AND MEDIA REACTIONOO
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6511 Ann Pincus, Director Archived at:
www.usia.gov/products/me
dreac.htm

X` hp x (##Xn\ P6Qy&P#Wednesday, May 13, 1998
X` hp x (#%
UNREST IN INDONESIA: ARE 'TIME AND TIDE' AGAINST SOEHARTO?

X` hp x (#As the death toll mounts amid continued protests and violence in
Ind
onesiawith six students reported killed during clashes with security
forces at
Jakarta's Trisakti University yesterdayanalysts in Asia, Europe
and Latin Ameri
ca worried that it would be difficult to stop "the momentum of
violence" throug
hout the archipelago. Observers in many quarters echoed the
view of the libera
l Canberra Times, which saw Indonesia's President Soeharto
"fighting a desperat
e battle to reconcile competing forces that are tearing
his country apart." Th
at paper and dailies in all regions noted that "only
political reforms" could s
ave Indonesia now, but a growing number of voices
judged that "time and tide" m
ight be working against the Indonesian leader.
These analysts held that the pr
omise of reform by 2003the end of Mr.
Soeharto's current term in officewould no
t serve to quell the unrest.
Writers in all regions judged that the role of th
e Indonesian military was
"critical" to determining whether Mr. Soeharto will b
e able to survive the
turmoil besetting his country. A Thai writer joined Lond
on's conservative
Times in suggesting that "there was still time" for Mr. Soeha
rto to "save
himself" with a "dignified resignation." Following are highlights
of the
commentary:

INDONESIA: 'POLITICAL REFORM URGENT'Dailies from across the political
spectrum
in Indonesia stressed that political reform was an "urgent and
absolute necess
ity." The leading, independent Jakarta Post, for example,
stressed that the ri
ots in Medan, North Sumatra, last week "could be a last
warning to the governme
nt to act quickly" in addressing the need for
political reform. Independent M
edia Indonesia, breaking a longheld
journalistic taboo in Indonesia by referrin
g directly to the deaths of the
students on the campus of Trisakti University,
insisted that the Indonesian

House of Representative (DPR) must prevent further
bloodshed by spearheading
the necessary reforms. "The streets must not be use
d as the arena...for
reform," that daily held; "the struggle for reform should
sound in the DPR."
Muslim, intellectual Republika concurred, but wondered if p
arliament members
"(had) the nerve to meet the demands of the public." The Jak
arta Post also
noted the proreform stance of the Association of Indonesian Musl
im
Intellectuals (ICMI), an association founded by Indonesia's current vice
pre
sident, B. J. Habibie, citing it as proof that "the movement for reform
has rea
ched a point of no return."

DILEMMAS FOR U.S., IMF AS INDONESIA 'SLIDES INTO CHAOS'Commentators in
South Ko
rea, the Philippines and Thailand discussed the dilemmas facing the
U.S. and th
e IMF as the "chaos" worsens in Indonesia. In Seoul, conservative
Chosun Ilbo
noted the "warning signals" sent by the U.S. and urged President
Soeharto to he
ed them. Seoul's conservative Segye Ilbo argued that, because
of Indonesia's s
trategic importance, the U.S. "had no option but to support"
Mr. Soeharto. In
discussing the IMF, Manila's topcirculation Business
World condemned the IMF f
or allegedly "destroy(ing) the lives of those it
wants to help." Singapore's p
rogovernment Straits Times saw the IMF's
"painful" reforms as necessary, but ur
ged the body to find a way to "relax
the terms" imposed on Indonesia.
This survey is based on 41 reports from 12 countries, May 7 13.
EDITOR: Kathleen J. Brahney

EAST ASIA AND PACIFIC
X` hp x (#
INDONESIA: "DPR Must Spearhead Reforms"

The independent Media Indonesia commented (5/13): "Thumbs up for those
profess
ors who have taken the direct way, conveying their concerns to the
House of Rep
resentatives (DPR), the honorable institution that is authorized
to represent t
he public's interests and heed the public's voices. We
continue to warn that t
he calls for reform being shouted in the streets are

too risky and could lead t
o disaster. The current situation has brought us
to the edge of a catastrophic
abyss. Yesterday, in a campus long regarded as
a peaceful one, Trisakti Unive
rsity in Jakarta, victims fell. Although the
numbers still differ, this is a v
ery dangerous situation. What we had
worried about has now happened: Demonstr
ations have led to deaths.... Now,
before it is too late, we all have to agree
that the streets must not be used
as the arena to urge for reforms. The stree
ts remind us of 'the killing
fields.'... The struggle and demands for reforms
should sound in the DPR.
If this institution is not reliable, make it regain i
ts credibility. If the
DPR is only part of the pretense, make it become honest
to serve its
conscience and the national conscience."

"How To Avoid Further Victims"

In the editorial view of leading, independent Kompas (5/13): "We do not know
whether the two parties, the students and activists on one hand, and the
securi
ty apparatus on the other, can clearly see their respective
circumstances, thei
r differences and similarities.... The rhythm of reform
is much faster and mor
e intensive. This is partly due to the earlier,
inadequate response to the cri
ticisms.... In such a sensitive and emotional
situation, all parties must be w
illing to capture the...substance of the
crisis we all facing, and develop an u
nderstanding of their respective
capacities in order to avoid violence."

X` hp x (# "Desperate Move"

The leading, independent Jakarta Post pointed out (5/12): "Bank Indonesia
rais
ed its benchmark interest rate across the board again to as high as 58
percent
...to rebuild confidence in the rupiah and to curb inflation. (This)
is a desp
erate move to cope with a desperate economic situation which has
seen the rupia
h collapse.... Fears nevertheless are rising over the
perception that a slow,
lukewarm response by the national leadership to the
increasing demand for poli

tical reform will only make people more restless
and increasingly impatient....
Since the people's sufferings will likely
increase before the economy begins
to stabilize, tempers could easily flare
and explode into nationwide violence.
The massive riots in North Sumatra
could be a last warning to the government
to act quickly, firmly and
consistently in addressing the demands for political
reform to establish good
governance. Without solving the fundamental politica
l issues of the crisis,
the government's painful reform measures will not bring
the rupiah to a level
strong enough to stop the country's economic bleeding."

"Reform In Parliament"

Muslim intellectual Republika held (5/12): "House Speaker (and ruling Golkar
C
hairman) Harmoko determined that any reform package should include changes
in t
he election law, the antimonopoly law, the law on consumers'
protection, the s
ubversion law, the law on the eradiction of corruption
eradication...[in additi
on to] limiting the presidential terms of office....
For all this, the House o
f Representatives is racing against time. Changing
that many complicated and i
mportant laws will break the taboo that no one
thus far dares to touch. We wi
ll see whether the parliament members have
the nerve to meet the demands of th
e public or other parties."

"Challenge Of GlobalizationFaults Become Visible"

The governmentoriented, Englishlanguage Indonesian Observer maintained
(5/12):
"We feel we should speak out with our reservations against the
speculative to
ne of foreign media reports concerning current conditions in
Indonesia which, i
f they are to be believed, indicate that Indonesia is ready
to tumble into an a
byss of economic and political chaos. Negative reports
about Indonesia should
not dim our enthusiasm to compete with other nations,
nor should they slow our
spirit to continue reforms. One aspect of

globalization is that information
from around the world will reflect both our
successes as well as our weaknesses
during the last 30 years of national
development. This is the real challenge.
"

"U.S. Aid Will Invigorate Indonesian Industry"

Independent afternoon daily Suara Pembaruan said (5/10): "In the context of U.
S. Exim Bank aid, we underscore that the desire of the Unied States is to maint
ain its trade relations with Indonesia and other Asian countries, demonstrating
U.S. optimism. This will spur trade...(but) what is mainly needed now are eco
nomic and political changes. Indonesia has to ensure that the current economi
c reforms will continueincluding political reforms."
X` hp x (#
X` hp x (# "Violence Against Journalists In Indonesia"

The independent Media Indonesia told its readers in an editorial (5/10): "We can recall the July 27, 1996 incident in which a number of journalists on assig
nment were tortured by security apparatus.... Today, as student unrest prevai
ls, the apparatus is again repeating its violent acts against journalists. Whe
n covering a student demonstration in Medan, Antara reporters received mistreat
ment by the apparatus. Journalists from Republika, Pikiran Rakyat [of Bandung]
, Aksi tabloid, and Jawa Pos [of Surabaya], were deliberately beaten up by the
security apparatus when they were on assignment.... Now is the time for such harsh acts to receive stern
action. Such acts...but could...be a precedent for future mistreatment."

"Student Protests May Spur Race For Reform"

The leading, independent Jakarta Post featured this pageone column by Soedjati
Djiwandono, who stressed (5/9): "Political reform is an urgent and absolute ne
cessity. We are racing against time. Without reform, it is hard to imagine w
hat may happen to the nation's social, political and economic life. This is t
he significance of the student protests. They will hopefully help wake those '

representatives of the people' from their lethargy, inertia
and complacency....
to realize the enormity of the crisis, with all its
possible dire consequences
and implications for the people."

"Golkar's FlipFlops"

Independent Media Indonesia contended (5/9): "Golkar would be remembered as
a
true reformer if it changed the laws on political parties, and if Golkar
recall
ed its faction members who have been recruited because of nepotism. If
Golkar
only wants to limit the presidential terms of office, excuse us, that
would not
be a remarkable thing, since it only demonstrates the superficial
thoughts of
Golkar."

X` hp x (# "Economic And Political Reforms Needed"
X` hp x (#
Leading independent Kompas maintained (5/8): "Economic reform is only one of
t
he things that will put the national economy back to its feet. The other
is r
eorganizing the sociopolitical life in an attempt to create a climate
conducive
to economic growth.... Selfrestraint on one hand and commitment
to carry out
reforms in the noneconomic sectors...are both necessary."

"ICMI Has Joined In"

The leading, independent Jakarta Post opined (5/8): "Wednesday's statement
by
the Association of Indonesian Muslim Intellectuals (ICMI, an association
founde
d by Indonesia's current vice president, B. J. Habibie) is surprisingly
straigh
tforward in its call for immediate reform, although many might take it
as a bet
terlatethannever step. It is true that two other social
organizations, Muhamma
diyah and Nahdlatul Ulama, and numerous academics
have...made similar calls du
ring the nationwide studentled proreform
movement. But ICMI's stance...touches
more sensitive issues which the ruling
elite have thus far roundly opposed....
(This) should...convince any
waverers among publicly aware citizens that the
movement for reform has

reached a point of no return since so many people have
jumped on to the
bandwagon..... Many also understand that covert proposals fo
r reform, as
announced by the government last week, will act as a symptomatic
painkiller
but will not heal the national disease. ICMI, by its statement, cle
arly
hopes that the people in the ruling elite will be wise enough to read the
signs of the time correctly and not be too late to climb aboard the reform
band
wagon."

"Does ABRI Speak For Nation?"

The independent Media Indonesia held (5/8): "According to the Armed Forces
(A
BRI) CommanderinChief General Wiranto, the reforms that the students
are dema
nding have already been put on the national agenda.... Such an
acknowledgment
should be seen as a victory for the students. Indeed, the
question remains a
s to whether ABRI has the authority to speak on behalf of
the whole nation....
ABRI, along with the House of Representatives and the
executive body should s
oon make public a complete list of the proposed
reforms. We do not wish to wa
ste our energy daytoday just to slap our own
face."

"No More Criticism"

According to the governmentoriented Indonesian Observer (5/8): "In what
seems
to be his response to growing student protests that have continued
unabated, Ar
med Forces CommanderinChief General Wiranto has said that he
has just about had
enough with criticism.... Perhaps...at a loss on how to
cope with (the violen
ce in Medan) it, Wiranto has now set his sights on the
critics. Instead of dea
ling with the problems, Wiranto is blaming its
messengers.... We sympathize wi
th Wiranto's predicament. But we would do so
even more if he had devoted more
time to finding out what lies behind the
problems, and deal with them honestly
, instead of blaming critics."

"Victims Fall, DPR Does Nothing"

Independent Berita Buana's editorial judged (5/8): "It is indeed very sad to s
ee that (the House of Representatives) has done nothing during the months of cr
isis.... The government and armed forces officials should be careful in makin
g...claims that the students are being used. Whether or not (the students) are
being used, the people need to see that their basic needs are available at rea
sonable prices."

X` hp x (# CHINA: "Indonesia Sparks G8 Concern"

According to the official, Englishlanguage China Daily (5/11): "Although indi
vidual ministers were outspoken in their condemnation of the political atmosphe
re in Indonesia, the G8 ministers' official joint communique did not mention th
e problem. The Asian crisis in general got only passing reference. This was
in contrast with the last finance ministers' meeting in April, when they single
d out Indonesia among the crisishit Asian countries, saying it must implement t
he IMF reforms, including steep cuts in subsidies."
X` hp x (#

"Indonesian Riots Raise Concern"

Under the above headline, Yu Yang remarked in the official, Englishlanguage Chi
na Daily (5/9): "During his visit to Jakarta last month, Foreign Minister Tang
Jiaxuan said the Chinese government will not interfere in the domestic problem
s of Indonesia and will not pressure the Indonesian government on the increasin
g violence against naturalized but ethnic Chinese in the country."

AUSTRALIA: "Soeharto Fighting Desperate Battle"

The liberal Canberra Times (5/8) said in an editorial: "Indonesia's President Soeharto is fighting a desperate battle to reconcile competing forces that thr
eaten to tear his country apart. The indications at this stage are that he wil
l not succeedtime and tide are against him.... Indeed, it is the IMF on the on
e side and growing popular dissent on the other that will fracture and rend th
e Soeharto regime."

"Indonesia On The Brink"

The liberal Sydney Morning Herald's editorial (5/8) commented: "President Soeh
arto must be able to convince Indonesians that...the hardship that accompanies
reform will be shared by all Indonesians.... The first family must be made to
shoulder much more of the pain of reform.... A judicious use of loans and cr
edits may alleviate some of the suffering at the bottomand buy time for muchnee
ded political reforms to actually make a difference."

PHILIPPINES: "Unrest Testing Army's Loyalty To Soeharto"

The independent Philippine Daily Inquirer's editorial said (5/7): "Although t
he army has remained loyal to Soeharto, and even went solidly behind him in his
quest for a seventh fiveyear term...the widening campus unrest is testing not
only the army's patience but also its loyalty to Soeharto. If Soeharto is seen
to be standing in the way of reform and turning into a principal cause of unr
est, the army would have to make a choice between shooting the students and as
king him to step down in the interest of political stability and public order."

X` hp x (#
X` hp x (# "IMF Out Of Control"

American businessman and regular columnist Daniel DeLong wrote in the topcircul
ation business Business World (5/7): "Clearly, the IMF is out of control. In
beleaguered Indonesia...it destroys the lives of those it wants to help.... By
removing subsidies, the IMF has condemned Indonesia's people to live the life
of hardship beyond imagination. Perhaps the IMF believes the people will be so
fed up with the situation (they will) stage a revolution. If this is the case
, the IMF shouldn't have agreed to a $43billion bailout in the first place."

SINGAPORE: "Is IMF Fiddling While Indonesia Burns?"

X` hp x (#Columnist Tan Sai Siong noted in the progovernment Straits Times' we
ekly

commentary, "Looking Back in Wonder" (5/9): "Indonesia is teetering on th
e
brink of catastrophic civil unrest. But having made solemn promises to the
I
MF, its government has no choice but to inflict the sort of pain on the
peoples
uch as the massive fuel price hikesthat is like putting acid on a
raw wound....
Let the international community and the IMF recall Nero. Stop
the fiddling a
nd heed the millions who are now proxy sufferers for those on
whom the IMF is t
rying to impose discipline. Better to find a way to act
more humanely now than
to lose a horse later for want of a shoe when it was
most needed. Indonesia c
an't go back on its word, but the IMF and its
backers could relax the terms. I
t really doesn't profit the international
community to have a Soeharto governme
nt that keeps its word with the IMF, if
in the process Indonesia loses its stab
ility and descends into chaos."

X` hp x (# "Violence Won't Help"

The progovernment Straits Times concluded (5/9): "It would be most
unfortunat
e if Indonesia should unravel at a time when Mr. Soeharto finally
embarks, afte
r months of temporizing, on a slate of reforms that promises to
change the way
the government and economy work. Implemented faithfully, the
wideranging refor
ms sanctioned by the IMF will address some of the problems
of corruption and cr
onyism that his detractors have been complaining
about.... (Mr. Soeharto) feel
s dutybound to stay in office in this critical
hour to ride out the country's d
ifficulties, whatever it takes. His
opponents think otherwise and want him out
now.... For (Mr. Soeharto), the
best way out is to defuse social tension with
out having to order a military
crackdown. Violence, at any rate, is not going
to provide the solution.
What he needs is a new understanding with the people,
who want to be
convinced that real changes are being implemented to restore co
nfidence in
Indonesia. This is easier said than done, not least when the masse
s are
frustrated and angry."

"Medan Riots Embolden Key Players To Support Political Change"

The progovernment Business Times featured this comment (5/910) by Jakarta
corr
espondent S.N. Vasuki: "An uneasy calm returned to Medan yesterday,
after four
days of rioting that sent jitters across regional financial
markets. Analyst
s feel that the political repercussions from the Medan
riots will be felt long
after the dust has settled in the North Sumatra town.
The Medan riots are sign
ificant because it has emboldened several key players
in the Indonesian establi
shment to voice support for political reform.... To
be sure, it is premature to
read too much into statements made this week in
favor of political reforms by
the Indonesian Armed Forces (ABRI)
commanderinchief General Wiranto and the Ind
onesian Association of Muslim
Intellectuals (ICMI). But it is fair to state th
at the momentum toward
political reforms is gradually building up in Indonesia.
"

"Ripples From Rupiah's Fall"

Vikram Khanna, regional analysis editor, commented in the progovernment
Busine
ss Times (5/8): "The crisis has gone beyond economics.... Recent
events in Se
oul, Jakarta and, especially, Medan in Indonesia, have put paid
to this idea.
It is now clear that money managers are explicitly factoring
in political risk
in their trading decisions, something they will
increasingly do as the next ser
ies of painful and controversial reforms get
underway in Indonesia and elsewher
e. How deftly governments in the region
deal with gathering social and politic
al unrest may thus be as important as
the behavior of economic aggregates in de
termining how Asian markets behave.
Contagion is still with us.... While the
markets may some day get around to
discriminating between good and bad in Asia,
they're not quite doing it yet.
For now, Asia's economies are in this crisis
together."

SOUTH KOREA: "U.S. In Dilemma Over Indonesia"

Conservative Segye Ilbo judged (5/11): "The United States is in a dilemma over how to deal with Indonesia. Basically, the United States has no option but to support President Soeharto because of the priority of maintaining economic stability in the country. The dilemma for the United States, however, is that continuing support for the administration risks more rioting like that already spreading across the country, and this will be a greater threat to the country's social and political stability. We note this dilemma in the United States' cancellation of joint military exercises while at the same time supporting the disbursement of billions of dollars in loans to Indonesia.... Although the United States is demanding that the Indonesian government refrain from forcefully suppressing demonstrators, it no longer links financial assistance to how the Soeharto administration handles them.... The bottom line is that the United States cannot afford to entirely ignore Indonesia's strategic importance, so it cannot do much at this point but watch the situation closely."

X` hp x (#

"Indonesia In Chaos"

Antiestablishment Hankyoreh Shinmun maintained in an editorial (5/9): "Indonesia should not expect to be able to restore order by using the police and military to suppress demonstrators. This is not the way to address the situation.... The United States is telling the Indonesian government to allow peaceful demonstrations and to respect the demonstrators' human rights. It will be in the interest of the Indonesian government to listen, especially if it wants to avoid a national catastrophe.... It is time for President Soeharto to make a final decision about what he should do. If he continues to ignore the outcry for political reform, the military, which so far has been protecting the government, may take the side of the people. The people are demanding a broad range of political reform by the Soeharto administration."

X` hp x (#
"Indonesian Shock"

Probusiness JoongAng Ilbo had this editorial view (5/9): "It seems that the on
ly solution for Indonesia is to carry out political reform. Without it, econom
ic reform cannot be complete. Furthermore, without political reform, the gove
rnment's efforts to push the people through painful economic reforms will not p
roduce the results the government badly needs. Although President Soeharto str
essed that he has no plan to step down until the year 2003, political reforms
are what the country needs now to bring any sense of resolution to the current
situation.... What is happening in Indonesia is no longer an isolated incident
. There are plenty of signs that an 'Indonesian shock' is on the way, with nei
ghboring countries' currencies drastically plummeting in value and stock prices
hitting bottom."

X` hp x (#
"Indonesia In Turmoil"

X` hp x (#
Conservative Chosun Ilbo told its readers in an editorial (5/8): "While the m
ilitary still remains loyal to the Soeharto administration, Islamic forces are
beginning to support the demonstrators. What should worry the administration i
s that the demonstrators have taken up political themes, going way beyond the i
nitial discontent about economic hardship.... A critical question for now is h
ow much longer the military will protect the current administration. The situa
tion seems to have turned for the worse. The United States is sending warning signals, and President Soeharto should heed them."

"Indonesia Is Shaken"

Moderate Hankook Ilbo (5/8) commented: "The Indonesian crisis is riding the r
apids.... The (Soeharto) administration, which is certainly facing its greates
t crisis ever, is torn between the need to demonstrate its will to carry out re
form programs and the need to stop the protests.... There is an overriding sus

picion about the administration's decision to carry out tough
reform measureswh
ich many thought would only provoke the publicso
quickly. Some see it as a ta
ctic to avoid international pressure to root out
cronyism.... The government's
tough stand against demonstrators is
solidifying antigovernment forces, althou
gh the demonstrators are not yet
united.... Meanwhile, the military also faces
a challenge in its relations
with the current administration. It may want to
become more independent of
the administration so it can have a say if the situa
tion deteriorates
further."
X` hp x (#
THAILAND: "Today Is LateAn Essay For Soeharto"

Pichian Kuratong commented in elite Matichon (5/13), "[Soeharto] has let 30
yea
rs slip by without bothering to notice the demises...of some of his peers
like
the Philippines' Ferdinand Marcos and Romania's Nicolae Ceausescu and
others of
the same ilk.... Today is a little too late for Soeharto to expect
a pedestal
offered him by Indonesians as all he can inspire in them are
frustration and h
atred."

"Soeharto Should Step Down"

The lead editorial in elite, businessoriented Krungthep Turakij commented
(5/1
2), "The pressure building up in Indonesia could turn explosive at any
time if
President Soeharto still resorts to using force to quell popular
unrest. This
is the last chance for Soeharto to either step down gracefully
or step up the p
ressure on the demonstrators and face the undesirable
consequences.... The opt
ion suggested yesterday by opposition politicians
that Soeharto step down to ma
ke way for a genuine political reform in
Indonesia could be the best possible s
olution to the volatile situation."

"Indonesian Upheaval"
X` hp x (#
Kasem Atchasai commented in conservative Siam Rath (5/12), "There seems to be
n

o quick end in sight for the upheaval in Indonesia since neither side is willin
g to soften its stance.... The call to unseat Soeharto comes at the right time
, since the country's economy as well as Soeharto's position are equally in a s
hambles... What is totally wrong and shameful is the venting of anger and frus
tration on ethnic Chinese Indonesians.... While there is no telling yet if the
students will succeed, one certainty is that more lives will have to be sacrif
iced, since, as a rule, no democracy can be realized without bloodshed."

"The Impact From Indonesia"

Topcirculation Thai Rath's lead editorial emphasized (5/12): "Among the variab
les which will determine whether Asia's recovery will be quick or slow is Indon
esia.... Economic progress under 30 years of Soeharto's rule had made the limi
tation of political freedom bearable. [The last straw came] with the economic
crisis that has instantly impoverished at least 40 million Indonesians."

"Challenges Facing Soeharto"

The independent, Englishlanguage Nation's lead editorial stressed (5/10): "Af
ter a series of evasive pledges to look at reform after 2003, Soeharto last wee
k told a meeting of top government, political and military officials that he f
avored discussion on political reform. The government also said changes would
be made to electoral laws in time for the next general elections in 2002. Giv
en Soeharto's track record, his dealings with the IMF and the appointments to h
is last cabinet, he has much work to do to restore his credibility. The easies
t way to do this will also be the most difficult: he must show his family share
s some of the pain. Ordinary Indonesians cannot be allowed to think they are s
uffering alone while the first family and the president's friends continue to
prosper. Then he must quickly set in motion a program for reform that leads t
o the direct election of people's representatives. At stake is not only Soehar

to's political legacy, but
economic and social peace and order in Southeast Asi
a."

SOUTH ASIA

INDIA: "Indications Of Civil War In Indonesia"

Magsaysay Awardwinning columnist Amitabha Chaudhury opined in Calcutta's indep
endent, centrist, Banglalanguage Ananda Bazar Patrika (5/7): "The extent of th
e devastation that swept over the economies of Thailand, Malaysia, Indonesia an
d even Korea...was totally unexpected. The terrible calamity of Indonesia is u
nparalleled, even among these devastated economies.... Is Indonesia not the be
st proof of how false...neocapitalism, or the market economy, or a developing s
ystem dependant on open markets, or the so called globalization is?... Two hun
dred million unfortunate people of Indonesia will have to pay its price."

EUROPE

BRITAIN: "Indonesia Smolders"

X` hp x (#The conservative Times opined (5/12): "Indonesia's allies are despe
rately seeking ways for an orderly transfer of power. The Americans, the IMF a
nd neighbors fear the contagion of unrest and the devastating effect on Indones
ia's brittle unity. But Mr. Soeharto has the stubbornness of old dictators who
see the danger signals too late.... Mr. Soeharto should save himself, his cou
ntry and his reputation. There is still time for a dignified resignation."

GERMANY: "Will Indonesians Shake Off Their Fetters?"
X` hp x (#
X` hp x (#Maritta Tkalec maintained in an editorial in leftofcenter Berliner Ze
itung (5/11): "The networks President Soeharto and his proteges have set up in the
country makes reforms, which could save Indonesia, impossible. The democ
ratization of the economy and society would be the end of the Soeharto company.

Even generals and top politicians are now warning against a collapse of the c
ountry...and an increasing number of people are joining the protesting students
. It is true that Soeharto is now trying to ease the pressure by announcing re
forms, but all indications are that halfhearted changes, which would have been
a sensation a few months ago, will no longer be enough. South Korea and Thaila
nd have shown how the tigers can shake off old fetters. Indonesia is faced wit
h profound changes."

"The Momentum Of Violence"
X` hp x (#
Sven Hansen opined in an editorial in leftofcenter Die Tageszeitung of Berlin
(5/8): "When people who have been loyal to Soeharto are now calling upon the
dictator to implement quickly political reforms, this could be the last chance
to prevent an uncontrollable outbreak of violence. Soeharto still sits firmly
in his saddle, but in Jakarta, students have already demanded on banners that S
oeharto and his family be hanged. If he refuses to accept reforms, the outbrea
k of violence could soon also be directed against the dictator himself."

"Indonesian Writing On The Wall"

Werner Adam noted in an editorial in rightofcenter Frankfurter Allgemeine (5/8
):
"A storm is brewing on many of the Indonesian islands. Savings measures and si
multaneous price hikes are like writing on the wall which has resulted in incre
asing support for the protesting students. If the rulers had offered a good ex
ample, the Indonesians might have shown a certain degree of understanding for t
he drastic measures of the IMF and the World Bank. But it is probably necessar
y to use force to prevent President Soeharto from increasing the wealth of his
family even more."

IRELAND: "Indonesia Risks Sliding Into Chaos"

The moderately conservative Irish Times emphasized in an edtorial (5/11):
"In

donesia is...a political tinderbox on a grand scale. It is the fourth
most pop
ulous country in the world and, in many respects, a case study in how
the West
has handled Asia's economic crisis. On the evidence of the IMF
policies pursue
d so far, there is a great deal to be learned about marrying
structural economi
c reforms with the political changes required to put them
into effect. The Gro
up of Eight industrialized countries meeting in
Birmingham this week should po
nder the lesson of Indonesia long and hard.
They will share a large part of th
e responsibility if the Suharto regime
falls over the edge into political chaos
."

LATIN AMERICA

ARGENTINA: "Indonesia Spewing Fumes'

Ruben Guillemi wrote in leading Clarin (5/13): "Today Indonesia is spewing
fu
mes like its legendary volcano Krakatoa. The rich (the ones close to the
govern
ment) have started to leave their cars at home and, in order not to
attract att
ention, prefer to take those precarious vehicles of local
manufacture which are
far cheaper.... While the country is going through its
worst crisis in three d
ecades, life president Soeharto, who has been
governing since 1965, seems to be
beyond good and evil. On tour in Egypt he
warned the population that 'painful
sacrifices' are still ahead to overcome
the crisis.... The 'plumes' of social
unrest and the student demonstrations
are occurring in one of the countries w
ith one of the worst indexes of income
distribution.... Everything in Indonesi
a belongs to the circle of friends
and relatives of Soeharto: his 36ministercab
inet, the various political
positions and the huge companies. Nothing escapes
from Soeharto. But the
crisis can escape from his hands if he does not tune hi
s ear to listen to the
opposition's complaints, which yesterday, on Jakarta's s

treets, demanded 'the
end of the most corrupt regime in the world.'"

BRAZIL: "New Flash Points In Southeast Asia"

X` hp x (#Liberal Folha de Sao Paulo said in an editorial (5/10): "The Asian c
risis
seemed to have been reduced to a firefighting operation in the last two
m
onths, limited to negotiations between debtors and creditors. However,
under t
he smoke of a fire apparently under control, new flash points may be
hidden...
. In (Indonesia), economic reform is at a stage at which it appears
that only
under the threat of guns will it be possible to proceed. Faced
with the social
impact of a brutal recession, there is no way to use the IMF
without making th
e Indonesian Army an essential part of the economic
policy.... More than an e
conomic crisis, Asia is experiencing a crisis of
the state.... Market adjustme
nts may increase the social and political
trauma, making controlling the financ
ial fires, which up to now (have been)
regional ones, even more difficult."

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#Xx\ P6QyXP#

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

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

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

CREATION DATE/TIME:17-JUN-1998 12:56:00.00

SUBJECT: Daily Digest: ALARM OVER ASIAN FINANCIAL CRISIS

TO: Doris O. Matsui (Doris O. Matsui@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
Writing in advance of today's announcement that the U.S. would intervene to prop up the value of the yen, foreign media analysts in many quarters expressed alarm that economic turmoil caused by the falling yen would move from a regional to a global crisis. They criticized what they saw as the heretofore failure of the governments of Japan and the U. S. to implement steps to contain the crisis. A few critics alleged U.S.-Japanese collusion in maintaining a weak yen. Many analysts judged China's role in managing the situation as crucial. They worried that if the yen fell further and Beijing was forced to devalue the yuan, the consequences would not only devastate East Asia's economies but could also have serious global ramifications. The following are the main themes in the commentary:

'IRRESPONSIBLE' JAPAN AND U.S.--While Japanese papers strongly urged their government to take "comprehensive measures" to rescue the yen, pundits in Asia and Europe continued to criticize Tokyo for failing to grasp the seriousness of the crisis or vainly hoping that it could export its way out of difficulty with the help of a weak yen. Analysts charged that the U.S. and Japan--singly or in concert--had sought to benefit from a weak yen. Observers alleged that the U. S. had not intervened to stop the yen's fall because the U.S. economy benefited from the strong dollar and low interest rates. Rome's left-leaning, influential La Repubblica intoned: "If you're looking for the man guilty for the recent yen crumble...there is only one answer: He is Robert Rubin, U.S. treasury secretary." London's independent Financial Times, however, defended what it called Mr. Rubin's "doubts" about the efficacy of "concerted action" by the international community. "In the absence of more fundamental measures by the Japanese, currency intervention would be futile," that paper argued. Seeing U.S.-Japanese collusion, a South Korean paper complained "it is quite upsetting to watch the 'game' the United States and Japan have been playing with the Japanese yen for the last ten days." A Beijing daily agreed: "The devaluation of the yen is an outcome of a tacit Japan-U.S. agreement." A Hong Kong journalist, on the other hand, focused just on the role of the United States and declared angrily: "The U.S.' allowing the yen to plummet is like sticking a dagger in the back of Hong Kong and China."

CRUCIAL ROLE OF CHINA--Pundits in Asia and Europe judged China's role in the crisis as "crucial" and worried about the "infernal spiral" that a devaluation of its currency would cause in East Asia and outside the region. Melbourne's conservative Australian argued that recent remarks by Hong Kong Chief Executive Tung Chee Hwa against devaluation of the yuan provided "some reassurance," but London's independent Financial Times worried that "if the yen were to fall further, [China] may find the temptation...difficult to resist." A few commentators judged, however, that "the Chinese will not easily give up on the 'monetary wisdom' they have shown to date because it has granted them much 'diplomatic respectability'--something they expect to cash in on in the future."

This survey is based on 64 reports from 17 countries, May 26-June 17.

EDITOR: Bill Richey

EAST ASIA AND PACIFIC

JAPAN: "Comprehensive Measures To Prevent Global Economic Chaos"

An editorial in business-oriented Nihon Keizai observed (6/17): "The (ailing) Japanese economy could disrupt the world economy at any moment. In order to restore international confidence in the Japanese economy, Prime Minister Hashimoto must take comprehensive measures at an early date to stabilize Japan's financial system through permanent income tax cuts and the disposal of bad loans, held by financial institutions. Never before have world leaders made direct references to the fall of the yen. Li Peng, head of the Chinese national people's congress, criticized the fall of the Japanese yen by claiming it was exerting new pressure on Asian economies. South Korean President Kim Dae Jung also warned that the yen's fall could prompt China to devalue its currency in the yuan. British Prime Minister Blair said at the EU Summit that the Asian economic crisis has brought the world economy to the brink of one of the largest crises in the past 20 years. Behind these statements were concerns among the world leaders that Prime Minister Hashimoto will renege on his pledge to the international community that his government will not allow a worldwide recession to originate from his country. The political responsibility of the Hashimoto government is extremely heavy."

"What Must Be Done To Restore International Confidence In Japan?"

Top-circulation, moderate Yomiuri had this editorial (6/17): "The continuing fall of the yen and plunging stock prices in Tokyo have sparked a string of negative economic conditions that are affecting currency and financial markets from East Asia to New York. This chain reaction is a negative impact on economic globalization..... The Japanese government must take effective measures at an early date to effectively implement comprehensive pump priming measures and also to ensure that financial institutions will dispose of bad loans."

"Hashimoto Must Push Ahead With Structural Reform"

According to liberal Asahi (6/13): "Japan should now try to find a new system while being resigned to experience some discomfort and low economic growth in the course of pushing ahead with structural reform that might taking from several years or a decade to complete."

"Yen's Slide Must be Stopped"

Business-oriented Nihon Keizai had this editorial (6/9): "The yen's continuing fall reflects the growing gap between a strong American economy and an increasingly deflationary Japanese economy. The outflow of capital from Japan to the United States, which had been triggered by higher interest rates in the United States, has accelerated the yen's further slide.... To break the linkage between the yen's slide and the Asian crisis, the Hashimoto government must quickly implement reform and pump priming measures to get the economy back on track and halt the yen's fall."

CHINA: "Asian Economic Situation Tendency To Be More Grim"

Chen Hegao noted in the State Council Economic Daily (Jingji Ribao) (6/17): "Some Asian countries are endangered by an economic recession. And all regional Asian economies will probably slide; the speed of economic recovery will slow down. In addition to the current financial crisis, the devaluation of yen will aggravate the economic difficulties in Asia."

"Thailand Stock Market Slides Again"

Xinhua, Official Communist Party People's Daily (Renmin Ribao, 6/16): "U.S. Secretary of the Treasury Rubin's remarks that the U.S. plans no measures to stop the further devaluation of the
yen have fanned the fire for the violent slumps in Asian stock markets."

"Yen's Nosedive: Why Do Japan And U.S. Stand Watching?"

Tao Jian remarked in official Chinese Youth Party China Youth Daily (Zhongguo Qingnianbao, 6/16): "The United States sees neither great profits nor huge losses from salvaging the yen. Unlike the Mexican financial crisis three years ago, the Japanese economic situation has fewer links with the United States. Asian countries are the real victims or beneficiaries.... Devaluation of the yen can reduce the price of American imported products and to some extent, help reduce U.S. inflation.... The devaluation of the yen is an outcome of a tacit Japan-U.S. agreement."
"Japanese Yen Revalues: Who Is Laughing? Who Is Worrying?"

Yu Qing commented in official Communist Party People's Daily (Renmin Ribao, 6/12): "Obviously, the devaluation of the Japanese yen will do more harm than good to most of the Asian nations. It also adds instability to the world economy. Experts on the market say crashing through the `145 psychological barrier' is only a matter of time.... U.S.-Japan trade imbalance predictably will be shown in the economic statistics for the third quarter of the year. With mid-term U.S. elections drawing near, the U.S.-Japan trade deficit will again become a hot political topic, which might provide an opportunity for the yen's rebound."

"Depreciating Yen Worsens Asian Crisis"

Bian Hongwei said in official English-language China Daily (6/12): "The Japanese government deserves censuring for allowing the devaluation of the yen without taking any positive action. The G-7 acted irresponsibly for remaining silent about propping up the Japanese yen, according to Feng Zhaokui, vice-president of China's National Society of Japanese Economic Studies. Depreciation of the yen is precisely in line with the U.S. desire for a stronger dollar; helping the U.S. government avoid increasing interest rates and lower inflationary pressures in the U.S.... U.S. officials acknowledge that the economic performance of the United States over the past few years has been guaranteed by a stronger U.S. dollar. That's why the G-7, `Club of rich nations,' and especially the United States are reluctant to take effective measures to stabilize the yen."

"Economic Growth Rate Of Asian-Pacific Will Drop This Year"

The State Council Economic Daily (Jingji Ribao) (6/4) said: "The recent Asian financial crisis and the economic recession and devaluation of the yen in Japan will slow down economic growth in the Asian-Pacific region this year. Financial markets and systems will be the biggest victims in the countries of the region. Additionally, domestic demand for foreign labor and regional tourism have also suffered. Due to the high interest rates, national investment will slide. The ever-lower income will also result in a drastic plummeting of consumption."

HONG KONG: "Washington, Tokyo Have Responsibility To Stop Yen's Plunge"

According to the independent Ming Pao Daily News (6/16), "Now only the United States can stop the devaluation of the Japanese yen. Washington can adopt some intervening measures to check its further drop. However, the United States is worrying about the high price it may have to pay for supporting the yen. It may even cause foreign capital, which come swarming into the United States, to swarm out again. It will definitely infringe upon its own interests.... China has exerted effort to safeguard the stability of the yuan. Since China alone has paid a heavy price to stop the Asian financial crisis from accelerating, the United States and Japan can stand by with folded arms.... When U.S. President Clinton visits China, Beijing should state clearly the conditions for maintaining the yuan. China should not keep its pledge to protect the yuan from devaluating unless the United States and Japan take prompt and effective measures

to stabilize the Japanese yen."

"China Should Force U.S. To Show Its Hand"

In the words of the independent Hong Kong Economic Times (6/16), "Objectively speaking, China seems to have been deceived by the United States. When high-level U.S. Officials visited China early this year, they pressed China to guarantee the stability of finance in Asia. More than once China openly guaranteed that it will safeguard the yuan and the Hong Kong dollar. However, the United States' allowing the Japanese yen to plummet is like sticking a dagger in the back of Hong Kong and China. Also, it will hamper the stability of Asian finance.... The Japanese yen is no longer an economic issue. It will affect the relations of China, Japan and the United States, especially by the time President Clinton visits China at the end of this month, people will be hoping to see further cooperation between China and the United States."

"Supporting The Yen"

The independent, English-language South China Morning Post had this editorial (6/13): "Both (the United States and Japan) may stand back and allow the yen to remain in free fall, until it reaches 150--or even 200--to the dollar, with all that this entails. Such an attitude is highly irresponsible."

"Beset With Crises"

The independent Sing Pao Daily News had this editorial (6/13): "Though the United States is in a decisive position, Greenspan announced that the

United States might increase its interest rates. U.S. Treasury Secretary Rubin also claimed that the United States had no intention to support the Japanese yen. The United States is taking mean advantage by adopting such moves. It has accelerated the plunge of the Japanese yen.... These are shortsighted moves. If Asia again becomes immersed in financial crisis, the consequences will affect Europe and the United States sooner or later. Thus, they cannot keep their distance. Besides, Japan will not benefit from its selfish move either, for it will fry in its own grease."

"Yen's Slide Fans Conspiracy Talk"

The independent Hong Kong Standard pointed out (6/12): "From back lanes to the boardrooms all over Asia conspiracy theories are alive and kicking; and the liveliest of this unsubstantiated gossip is that the United States and Japan are conniving to bring about a devaluation of the Chinese yuan.... There may be absolutely no truth to such talk. But there is no denying that the further the yen slides, the weaker the standing of the United States and Japan in this part of the world. The Americans being seen in the words of Dr. Mahathir as neo-imperialists of sorts, and the Japanese as dangerous nationalists who are quite prepared to see the economies of Asia, including China's, totally wrecked in order to retain their dominant position in this region.... Beijing's patience is sorely tried, as calls from its officials to Tokyo for action in recent days indicate. Japan has a responsibility to help keep Asia financially stable. If the yuan gives way there will be bigger problems for the rest of the world."

"Meet Yen Devaluation Calmly"

Pro-PRC Wen Wei Po's editorial insisted (6/12): "The United States and Japan both are indulging in wishful thinking. They are on the lookout for Asian and Eastern European enterprises that are suffering great losses in the financial crisis as well as from high interest rates. These enterprises are in imminent danger because they have difficulties with their circulating funds. Now, the United States and Japan have to intensify the lethal power of the financial crisis and sharpen the financial difficulties of enterprises so as to pull their stocks

down. They can therefore buy these Asian and Eastern Europe properties at a very low price."

"World Is Tied Down By The Plummet Of Japanese Yen"

Pro-PRC Wen Wei Po had this editorial (6/10): "The crisis of overproduction is drawing near. The hot money in the market...is taking refuge in the United States.... The depreciation of the European currencies has also led capital to flow into the United States.... Interest rates and inflation are dropping in the United States.; the U.S. dollar is getting stronger; the stock market is booming and consumption power is rising. All these false impressions have covered up the fact that U.S. exports have dropped. One day, U.S. industry will experience overproduction, and more people will recognize the reason for the shrinkage of the Asian and European markets. Will the U.S. stock market still stay at 9000 points then?... The contradictions between the United States and Japan will inevitably intensify."

"Washington Should Adjust Strong U.S.-Dollar Policy"

The independent Sing Pao Daily News had this editorial (6/9): "The present focus is on whether or not the Japanese yen will drop to 150 or 160, and when will the United States do something?... In order to prevent another financial crisis and to rescue the Japanese economy, the United States will finally (have to) adjust its strong U.S. dollar policy."

AUSTRALIA: "Some Reason For Hope On Asia Crisis"

Referring to a conference in Melbourne yesterday focusing on Asian regional renewal, the conservative Australian (6/17) had this editorial: "There was some reassurance provided at the summit yesterday by Hong Kong chief executive Tung Chee Hwa, who stated that neither Hong Kong nor China was likely to devalue its currency. His further remarks that a stable Hong Kong dollar and a stable renminbi are very important for Asia as a whole give rise for cautious optimism that the Chinese government and Hong Kong administration authority recognize their pivotal roles in averting a regional depression."

INDONESIA: "Look Who's Back In Town"

The government-oriented Indonesian Observer intoned (6/12): "It is worth noticing that the IMF looks at [the circumstances] with a cold eye, totally untouched by the human suffering which has been gravely aggravated since the turmoil hit Indonesia in July last year. It is not surprising that the

IMF has become the target for criticisms by various leading personalities in the government and diplomatic service and also among economic observers. They say that in most cases, the IMF has aggravated the problems for those countries seeking financial help. We cannot agree more with their opinion."

MALAYSIA: "The Dark Side Of Globalization"

The government-influenced, English-language Business Times had this editorial (6/12): "If the economic problems faced by Southeast Asian economies do not attract a response from the West and institutions like the IMF, Japan's case deserves special attention because of its position as a net investor with huge investments the world over.... It is not impossible for Japan to do what many other Southeast Asian countries are adopting in their present situation--bringing back their wealth from overseas. This means that Japan could liquidate its foreign investments, including its huge bond holdings in U.S. and European corporations.... As Japanese direct investments have become an important source of employment, their return to Japan, may well be the starting point for the Asian economic problems's transition into a global social issue."

PHILIPPINES: "IMF's Fatal Embrace"

Business columnist Calixto Chikiamco wrote in the independent Manila Standard (6/7): "Recent events have validated the criticism that the IMF doesn't know how to handle regional crises.... With the weakening of the Japanese yen, Asia is facing another round of financial and currency crisis, the best efforts of the IMF with its standard formula of high interest rates notwithstanding."

SINGAPORE: "Time For Bold Action"

The pro-government Straits Times queried (6/12): "A weak yen to boost Japanese exports will hit other Asian countries, which are doing their damnedest to pump up exports as a way out of their financial miseries.... Right now, there is little light at the end of the tunnel. Contagion is at work, there is a distinct lack of investor confidence, and capital is slow in returning, largely because of political uncertainties and the foot dragging over reforms, as in Indonesia's case.... It may be worthwhile for Asian leaders to get together and explore what they can do collectively to restore confidence in the region. It is also in the interest of the Western countries to restate their commitments."

"A New Approach"

The pro-government Straits Times concluded (6/5): "The situation is such now that the Indonesian authorities may well have to consider unconventional measures. In addition to closing down insolvent banks, funds will have to be made available for the recapitalization of banks. The IMF and the World Bank should provide the funds. Foreign banks will have to be persuaded to agree to an extended debt repayment schedule.... Such measures go beyond the IMF's usual modus operandi, but there is little doubt that recovery is near impossible without them. The IMF--and the power that stands behind it, the United States--must recognize this. It would be of little use if their policy consisted solely of invoking pure market principles when the markets stand in danger of disappearing altogether."

SOUTH KOREA: "A Dangerous Game Over The Yen"

A column in the conservative Chosun Ilbo (6/17) said: "It is quite upsetting to watch the 'game' the United States and Japan have been playing with the Japanese yen for the last ten days. At times, they appeared to be doing the very things which would force the currency to slide further, even at the risk of agitating the market. At other times, they blithely let market tensions increase, with the United States 'fanning the fire' and Japan not doing anything.... That the United States might prefer a weak yen is now considered true by many. As if to bolster this suspicion, U.S. Treasury Secretary Rubin said that market intervention would not be an effective way to stop the yen's further drop in value.... Japan has clearly demonstrated how incompetent it really is, and the market is more jittery because Tokyo is not even trying to find a solution.... The market further suspects that both the United States and Japan might rather enjoy having a weak yen.... To be sure, Asia is the biggest victim of the selfishness of the two nations. The financial sector in Tokyo is comparing their dangerous game to Russian roulette. A weak yen may mean some profits, but it is a dangerous game that puts the health of the global economy at stake."

"Yuan's Devaluation Appears Inevitable"

Conservative Segye Ilbo commented (6/16): "The devaluation of the Chinese yuan appears inevitable. Once the value of the Japanese yen drops down to 150 against the dollar, many agree that devaluation of the yuan will be only a matter of time.... The fact that China is export-oriented further increases such speculation. Another troubling prospect is reduced investment by Japan in China. Decreased Japanese investment will most likely force China's

economic-financial reforms to slow down, possibly creating a major stagnation there. China may well have only one option to cope with the shock of a weak yen, and that is a devaluated yuan."

"Fall Of Yen Should Be Stopped"

Conservative Chosun Ilbo judged (6/15): "Japan's delay in restructuring its economy and the United States' refusal to do anything are two major factors fanning the steep fall of the Japanese yen.... Most troubling is that a weak yen will be more destructive in Asia than in either the United states or Japan.... The subsequent instability in the Asian economy may result in a devaluation of the Chinese yuan, which will inevitably send shock waves across the entire region. Undoubtedly Japan, Europe and the United States will feel these as well. The United States, Japan and other G-7 nations should take action to stabilize the Japanese yen."

"Yen's Fall And U.S. Role"

Independent Dong-A Ilbo predicted (6/14): "If the yen continues to slide, it will almost certainly force a devaluation of the Chinese yuan. If that takes place, all of Asia will be swept into a second foreign exchange crisis. This will likely affect regions as remote as South America and Eastern Europe. Despite these dangers, neither the United States nor Japan is doing anything.... A devaluation of the Chinese yuan will likely cause the Asian economy to collapse, eventually hurting both the United States and Japan.... It is time for Washington to take action and for the United States and Japan to stop the fall of the yen."

"Yen's Fall Fuels Sense Of Crisis In Asia"

Moderate Hankook Ilbo (6/10) commented: "The Japanese yen's fall is fueling a sense of crisis in Asia.... It is being said that U.S. Treasury Secretary Rubin's remark that the G-7 meetings will not be about the yen provoked the currency's steep fall.... It is troubling that the United States and Japan are not willing to cooperate to positively intervene in the foreign exchange market, fanning speculation that the yen will, at least for now, continue to be weak.... Most troubling is the possibility that the weak yen will force China and other neighbors to devaluate their currencies. That would mean a collapse of the Asian economy, which will most certainly create a grave commotion in the global economy."

"150 Yen-To-Dollar Nightmare Right Under Our Noses"

Pro-business Joong-Ang Ilbo (6/9) opined: "A nightmare of 150 yen to the greenback is will hit us soon.... The only way to stop this trend is for Japan to finish its economic restructuring as quickly as possible.... Meanwhile, the Korean economy will receive more bruises along the way. The fall of the yen...could result in a devaluation of the Chinese yuan. Once China's yuan is devalued, neighboring countries might feel compelled to do the same. That would put the economy of all Asia on the brink of collapse. "

SRI LANKA: "Southeast Asian Currency Crisis: Need for Constant Vigilance"

Lynn Ockersz said in a commentary in the English-language, government-controlled Daily News (6/15): "So far, the East and Southeast Asian crisis seems to have been contained to that region without highly destabilizing consequences for South Asia. But the situation has to be constantly watched because by no means has normalcy returned to East and Southeast Asia. One concern that has been expressed in East and Southeast Asia is that the declining share prices and so on will make it easy for foreign buyers to enter those economies at the expense of national companies."

THAILAND: "Money: A Dr. Jekyll, Mr. Hyde Phenomenon"

Independent, English-language Nation commented (6/17): "Alan Greenspan...might think that the existence of faster flows of international money is a sign of efficiency. But that is proving to be otherwise. The source of instability in East Asia is mainly due to the casual way in which international banks lent their money.... Likewise, the investment funds, dominated by European and American firms, saw it as fashionable to make quick returns from emerging markets. They might voice their concerns for the shaky fundamentals but in reality they pumped money into any capital markets that were bullish. Massed capital flight from Asia ran most economies in the region aground almost overnight.... Money has indeed come a full circle, from being the efficient contributor of financing for development to its destroyer. It is disappointing therefore to see leading industrialized countries--the G-7--balking at making meaningful moves to deal with the raving mad lending policies of international banks...and instead put the blame squarely on the emerging market borrowers.... One immediate thing that Japanese and Western leaders can do is to force their banks to swallow a bitter pill from the lending mistakes they have committed, and not hide behind the shadow of the International Monetary Fund."

"It Serves U.S. Right"

Largest circulation Thai Rath stated (6/17): "It serves the United States right now that the Asian financial crisis, set in motion by the United States, has started to boomerang on its very own economy. U.S. exports to Asia have dropped by $30 billion since the end of last year. The 30 percent decline in Asia's orders next year for Boeing 747s has resulted in tens of thousands of redundancies in the United States.... If the situation persists and the value of the dollar keeps on rising, the United

States will ultimately find itself the big victim of the crisis."

"Yen Dips Below 140; Outcry From Beijing Is Heard"

Cafe Dam commented in elite, business-oriented Krungthep Turakij (6/11): "That the yen has taken a nosedive to 141 to the dollar...is causing widespread concern that if China becomes disheartened and decides to go back on its word about not devaluing the yuan, a new, much more serious round of the Asian financial crisis will occur. Its domino effects would be far-reaching throughout the world. The United States that so far has remained nonchalant would no longer be able to do so.... News from the business circles trading with China has it that the Chinese government is willing to absorb the loss in exports only to the tune of up to $20 billion, beyond which it will be a matter of 'everyone for himself.'... The Japanese government is being hard pressed, for if other countries have to suffer because Japan is not seriously taking care of its own problems, it will become an 'elder brother' who has ignored his health and caused the contagious disease to afflict others."

EUROPE

BRITAIN: "Waiting For Hashimoto"

The independent Financial Times had this lead editorial (6/17): "The uncontrolled decline of the yen against the dollar over the past few days poses a threat not only to Asia, but to the United States and Europe. The case for concerted intervention to stabilize the Japanese currency might thus appear self-evident. But Treasury Secretary Robert Rubin has rightly expressed doubts about the effectiveness of such action. In the absence of more fundamental measures by the Japanese, currency intervention would be futile. Japan is on the brink of a slump that would do immense damage. The policy response to this dangerous situation has been grossly inadequate. But there is no indication that Prime Minister Ryutaro Hashimoto and his colleagues have yet grasped the size of the challenge."

"Is China Asia's Next Domino?"

The independent Financial Times had this op-ed analysis (6/17): "China's role as an anchor in Asia's financial storm has never been more crucial. A devaluation of the ren at this stage would almost certainly precipitate another twist in the downward spiral of the Asian crisis. That could break the Hong Kong dollar's peg, trigger a new round of currency depreciations, and increase the damage that Asia's troubles are already doing on the Western world's stock markets and economies. Yet just as the world looks to China to hold firm, there are hints that its resolve may be weakening.... Though China has not been hit by a wave of investment panic, the notion that it has been insulated from Asia's crisis is quite wrong. The question now is whether the region's second largest economy may become the next domino to tumble.... The bottom line, according to many commentators, is that as long as Asia's financial storm rages, it would be rash to devalue. But it is plain that the costs of the strong currency policy are growing and they could grow a lot more because of events elsewhere in Asia. The new communist leadership may not want to devalue but if the yen were to fall further, it may yet find the temptation to adjust its currency difficult to resist."

"China's Decision"

The independent Financial Times opined (6/16): "China is well aware of the dangers of letting its currency go. China is suffering from the fallout of the Asian crisis. But a devaluation now could be economically and politically disastrous.... There may be a case for a controlled devaluation once the Asian markets have stabilized, which probably means next year at the earliest. For now, though, it is clear that China must stick to its exchange rate. Whatever pain it is feeling now, the consequences of caving in must be worse.... The Chinese authorities are well aware of these arguments. China's policy has so far helped to prevent a serious worsening of the crisis, and has brought the country further into the international fold. A devaluation would reverse this, and would damage the long term stability of the region."

"Global Catastrophe Lurks In Asia's Crisis"

The conservative Times had this comment economics editor Janet Bush (6/12): "Despite the biggest stimulatory package, the largest bank bailout and the lowest interest rates in history, the Japanese economy is falling like a stone and, with it, the yen.... Last autumn and this spring, politicians and investors were convinced that the Asian crisis could be contained as a local affair. Asian values were derided, Anglo-Saxon ones applauded. If Asia's crisis turns into depression, such triumphalism will start to look rather hollow and investors may start to question whether a global economy oiled by free-flowing capital is really a wise place to do business."

"Asia's Symptoms"

In the editorial view of the independent weekly Economist (6/12): "Each week, it seems, brings new signs that East Asia's economic troubles are getting worse.... But, for the moment, a fair assessment of Japan is that its economic weakness makes it vulnerable to a shock from outside. It does not itself look like a probable shocker for its Asian neighbors. A better place to look for such a shocker is China. This is because it exhibits exactly the sort of rigidities that have proved so damaging elsewhere in Asia: a rigid exchange rate, and a rigid political system. In Indonesia, such rigidities meant that change took a long time to come, but when it arrived it proved devastating. Asia's biggest question, bigger by far than the one about Japan, is whether China's rigidities could eventually break in a similar way."

FRANCE: "Japan's Crisis Affects Regional Balance"

Dominique Bromberger said on government-run France Inter radio (6/17): "Fear of seeing

China devalue its currency is foremost in the United States and Europe, because it would lead to an infernal spiral. Japan's prestige has been tarnished. All the more so because Washington understands and supports

China's position.... Japan's supremacy is now shaken and for a long time to come. Its model needs to be adapted. The region's entire strategic balance has become dangerously unstable."

"The Asian Spiral"

Paula Boyer in remarked in Catholic La Croix (6/16): "Asia is in a downward spiral with no end in sight.... It is the first time in 23 years that Japan finds itself on the threshold of recession.... This recession, which is keeping away foreign investment is aggravating the situation for other Southeast Asian countries.... One wonders even if China will resist without depreciating its currency. In the short term, the U.S. is coming out on top, with a rising dollar. In the long term, the U.S. economy will come out winning because by penalizing U.S. exports, the falling yen is keeping inflation away. This helps to explain why Washington is not too eager to rescue the yen.... Japan, like its neighbors, is paying the price of its past economic miracle. A miracle based for the most part on generalized corruption. Something which a global economy, hungry for efficiency, no longer condones."

"An Uncontrollable Flood"

Nicolas Beytout commented on privately-run RTL radio (6/16): "Things have gotten to such a point in Asia, that, despite a temporary respite, no one sees how the downward spiral can be stopped.... Japan is not only in the midst of a recession, but it is also suffering from a crisis in confidence.... It appears as though nothing can stop the crisis. First, one should know that nothing can be done without the United States and that at the outset, the United States profited from the Japanese crisis. Now the crisis is such that any attempts to salvage the Japanese economy are going to be sacrificed.... It is better to wait and see...hoping that the floods will leave something standing."

"New Wave Of Crises Threatens China"

Frederic Bobin maintained in left-of-center Le Monde (6/12): "Foreign observers based in Beijing, as well as economists in Hong Kong and Singapore, believe that the Chinese will not easily give up on the 'monetary wisdom' they have shown to date because it granted them much 'diplomatic respectability'--something they expect to cash in on in the future."

"The Japanese Crisis"

Jean-Marc Sylvestre told listeners of government-run France Inter radio (6/12): "The week ending is the worst for the Japanese economy.... In its wake, Japan is dragging down other Asian economies, Thailand, Singapore, Korea. The important thing is that experts around the world are acknowledging that spontaneous mechanisms will not be sufficient to allow these countries to find a new economic balance."

GERMANY: "Tokyo's Incapability To Reform"

Tokyo correspondent Thomas Gandow opined in business newspaper Handelsblatt of Duesseldorf (6/16): "The latest letter of U.S. Treasury Secretary Robert Rubin to the president of the Japanese Association for Trade and Industry, Keidaren, can be considered an indication of how great is the annoyance in Washington about the Hashimoto government and the leadership of the governing Liberal Democrats. They are solely responsible for the current desolate situation of the Japanese economy. Tokyo's dilettantish and totally unrealistic deflationary policy from last year has contributed considerably to the escalation of the current finance and economic crisis in Asia. The incapability to reform that the Tokyo government

demonstrated over the past few months, is now causing a second wave of crises with unforeseeable global consequences.... It is now up to the political decision makers in Tokyo to make the right decisions. But, even after the elections for the Upper House in July, a turnabout to greater expertise and greater willingness for reforms is not in sight."

"Roiling Crisis May Soon Impede IMF Help For Asian Tigers"

Right-of-center Hannoversche Allgemeine Zeitung (6/16) has this to say: "The second round of the Asian crisis has long since begun. This time, Japan is the center of the crisis. The Japanese government now had to confess officially that the country is in a grave recession. The Japanese economy is the engine of Asia, but the Tokyo government has shifted into the reverse gear. If it does not take it out soon, then it will also foil the efforts of the IMF to help the Asian tiger states to restructure their economies. This would be disastrous not only for Asia, but it would also carry enormous risks for the global economy."

"Dawn Coming In Pacific Basin"

Juergen Jeske said on the front page of right-of-center Frankfurter Allgemeine (6/15): "Japan is now in a reform crisis that needs to be resolved as quickly as possible if it is not to turn into a danger for the global economy. If a new round of devaluations is to start from Japan, a wave of deflation, political tensions in global trade, and a possible a crash are looming.... Japan is no longer a model for the Far East. Japan Inc. has lost its magic. Even in the case of Japan...market forces have proven to be stronger. Europe can learn its lesson from this development."

"Malicious Glee?"

Left-of-center Frankfurter Rundschau (6/13) carried this editorial: "An ailing Japanese economic power--Is this a reason for the competitors in the United States and Germany to show malicious glee? We need to show caution. The loss of the value of the yen is making exports of Japanese companies to the West cheaper and will exert pressure on Asian competitors such as China. The devaluation of the Chinese yuan and the following wave (of devaluations) in the region could cause a second Asian crisis--with unforeseeable consequences for the financial markets all over the world."

"Storm Over Asia"

Right-of-center Frankfurter Allgemeine stressed (6/12): "A storm is brewing over the Asian financial markets.... The danger of a possible second Asian devaluation round is growing.... But the gloomy economic expectations for Japan bring along totally different dangers for the global economy.... Short-term yen interest rates of half a percent are luring foreign investors...to invest their money in Europe for five to six percent.... Investors are well advised to prepare for the withdrawal of their funds if the current party at the U.S. and European stock markets quickly comes to an end."

"Japan's Crass Indifference To Its Global Responsibilities"

Right-of-center Westfaelischer Anzeiger of Hamm asserted (6/12): "Instead of resolutely fighting the crisis of its own economy by modernizing and restructuring the Japanese system, Japan is obviously pinning its hopes on better export chances through a cheaper yen. However, this short-term tactical game will create dangers not only for other nations but can come back and bitterly haunt the country itself."

"Analysts' Yen Nightmares"

Rainer Koehler wrote the following editorial in centrist Sueddeutsche Zeitung of Munich (6/10): "At an exchange rate of 160 yen for the dollar, China's balance of payments would be in trouble, and Beijing would have no other choice but to let the yuan float. And in order to prevent themselves from going bankrupt, Japan's financial institutions would be forced to withdraw their investments from Wall Street. If the Japanese really lost their nerves, the lights could go out for a few years at the stock exchanges all over the world."

ITALY: "The Impotence Of 'Laissez Faire' Policy"

Gianpaolo Rossini commented in leading business Il Sole-24 Ore (6/17): "Given the level reached by the yen, one needs to have the courage to admit the serious consequences of a possible additional fall by the Japanese currency. And there is only one way to go: to link the yen to the dollar. This would be more than is presently being done to support the yen. Certainly the supporters of flexible exchange rates will be scandalized. But monetary policy in Japan is totally useless, since the country is trapped in a phase of monetary liquidity."

"But The U.S. Is Guilty"

A front-page commentary by Marcello De Cecco in left-leaning, influential La Repubblica (6/16): "If you're looking for the man guilty for the recent yen crumble...there is only one answer: He is Robert Rubin, U.S. Treasury Secretary. Some weeks ago he declared--then mildly corrected himself--that he could very well see having the yen at 140 or 150 to the dollar in the near future.... Then in his testimony before the U.S. Congress he completely rejected the possibility of G-7 central banks acting on the yen.... How can Rubin hope to elicit good feelings from Chinese rulers, which President Clinton is going to visit on June 25, if he unleashes the markets against them forcing them to devaluate?.... If we look at the likely consequences of the Rubin's statements, therefore, we can see that he aimed at saving the Japanese economy through competitive exports to OECD countries."

RUSSIA: "This Time Round, the Affluent Japan"

Writing in the government-oriented Rossiiskaya Gazeta (6/17), Alexei Baliyev warned: "One way or another the depreciating Japanese and other regional currencies are prodding the flight of capital from East and Southeast Asian nations, sending up the prices of their imports and equally pushing down those of exports. To illustrate, between April and the early half of June alone, a total of nearly $35 billion fled Japan, the entire figure for Pacific Rim nations being appraised at anywhere between $55 billion and $60 billion. Experts are explicitly leery of this fresh spin to the crisis eventually snaring nearly the entire world. Such predictions are well-grounded, too, the more so that the ripples of the financial maelstrom have already reached places as far off as Russia and some West European and Latin American countries. But seismic underpinnings in the shape of currency reserves of Russia's Central Bank will do to withstand the spread of the tsunami juggernaut just yet."

"Another Market Crash May Ensue"

Aleksandr Platkovsky reported from Beijing for reformist Izvestia (6/11): "Speaking of the yuan, it is said that its turn (to totter) will come after Clinton's visit to Beijing. The Chinese leaders say they will not let that happen and thereby avert a new crash on Asian markets, if China is admitted to the WTO. Not getting firm guarantees from the American president will start the yuan rolling headlong down. That will mean the beginning of a new, third, round of the Asian crisis."

"Beijing Never Follows IMF Advice"

Aleksandr Velichenkov and Aleksei Chichkin held in a supplement to official government Rossiyskaya Gazeta (5/30): "Characteristically, the IMF readily offers advice and credits to any country in a crisis. But it has not bothered to analyze why China, India and even small Burma have managed to avoid the effects of the financial crisis in Southeast Asia. Much of that, it seems, is pretty obvious, though: Beijing, New Delhi and Rangoon have never followed the IMF's advice."

SPAIN: "Yen Worries"

Barcelona's centrist La Vanguardia opined (6/16): "Japanese authorities are drawing on their reserves in order to contain the crisis.... Should their financial system's mass 'go critical,' the consequent chain reaction could assume planetary proportions."

"Japan In Recession"

Liberal El Pais editorialized (6/15): "With interest rates already at an all-time low, hopes are centered on budgetary measures--more tax cuts and public sector investments designed to spark internal demand--to break the recessionary cycle. Such recovery measures, together with financial sector reforms and openings for foreign investment, are necessary in order to adapt Japan's economy to a world far different from the one that witnessed its spectacular growth during the past few decades."

"Asian Worries Continue"

Barcelona's centrist ABC commented on the annual report of the International Bank for Settlements in Basel (6/9): "The Bank recommends strict compliance by the emerging nations of Southeast Asia with IMF reform programs...and allows that it is still not too late for Japan to restructure its banking sector and stimulate its economy.... On the other hand, inflationary risks posed by overvalued stock markets...and the rising American commercial trade deficit could lead to 'a loss of patience' by money men and a run against the dollar, leading to a rise in American interest rates."

"Collapse Of The Yen"

Barcelona's centrist La Vanguardia noted (5/26): "It seems clear that Rubin has opted for the lesser evil: At 140 or even 150 yen to the dollar--the rates he mentioned--the commercial deficit of the United States vis-a-vis Japan would become even more acute than it is. But if this is the price that has to be paid to avoid a depression in Japan, it will simply have to be paid. The truth is that after the last G-7 Summit in Birmingham, the pessimism felt regarding the likelihood of Japan's being able to overcome its current economic situation without having to resort to extraordinary measures--and not just in the economic sphere--was fairly widespread."

"Japansese Crisis Poorly Dampened"

Liberal El Pais opined (5/26): "The IMF--not the G-7--should be the one to identify the new risks in the international financial system and to make ready new response mechanisms in the areas of oversight and control that would allow such crises to be anticipated."

SOUTH ASIA

INDIA: "Beyond Firefighting"

The pro-economic reforms Economic Times had this editorial (6/17): "Japan is in full-blown

recession, Indonesia can be described only with euphemisms and the rest of the miracle is running madly just to stay in place. The Chinese dragon's resistance to the flu is in doubt and if it sneezes, no hanky in the world can prevent the virus from laying the rest of the region low."

LATIN AMERICA

BRAZIL: "Japan And Asia"

A byliner in liberal Folha de S. Paulo (6/17) said: "The U.S. secretary of the Treasury is right to say that they (U.S.) will not help the yen because Japan's recuperation depends entirely on them. It is obvious that if Japan continues in a recession, there is no hope for a short-term solution to the Asian problem."

"Asian Crisis Threatens Anew"

Liberal Folha de Sao Paulo (5/27) commented: "The costs of the economic adjustments the governments of the region promised the IMF face barriers that go further than pure economic rationality. The financial crisis is an even more difficult political and social issue and...brings back the threat of a more comprehensive crisis capable of casting a shadow of distrust over all emerging markets. Brazil, obviously is not immune to that."

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X` hp x (##Xn\ P6Qy&P#Thursday, April 30, 1998
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THE COMING CRISIS IN IRAQ? ASSESSING BLAME BEFOREHAND

X` hp x (#Observers in many countries foresaw a new Iraq crisis in the coming weeks or
months, but disagreed on who would bear the responsibility. Most Midd
le East
media considered the continuation of UN sanctions against Iraq unjust, with
some finding it tied to the Middle East peace process and the interests of

Israel. European and Asian opinion tended to see a stubborn Saddam Hussein br
inging a new crisis on himself. Middle East papers claimed Iraq has complied w
ith all resolutions and often saw the issue as one between the United States an
d Iraq; others saw an unrepentant Iraq defying the world. Herewith salient poi
nts:

SANCTIONS 'UNJUST' In Jordan, influential Arabic AlDustur argued that since "I
raq has gone beyond everything in its response to the Security Council resoluti
ons...there is no pretext to retain the sanctions." Independent, massappeal Al
Arab AlYawm saw a sinister connection between the Council vote and the Middle E
ast peace process, arguing that "whenever a new initiative starts to reactivat
e the peace process, the Iraqi crisis begins

to warm up to reach the point of confrontation." In Egypt, progovernment Al Ahram condemned the UNSC decision to renew sanctions as "a continuation of the unjust policies of the Council" a nd blamed the U.S. for "playing a major role." Semiindependent AlRayah of Qatar, citing the "human tragedy in Iraq," urged a humane rather than a merel y political "solution for the (impending) crisis," and insisted that even if "t he U.S. attaches great importance to Israeli interests alone," the Security Cou ncil should take a broader view. At the same time, the paper said Baghdad shou ld "refrain from taking extreme positions." Outside the region, the nationali stic Kenya Times characterized the sanctions as "tyranny," and in Belgium lefti st Le Matin compared the sanctions to famine as a military tactic and warned t hat by refusing to lift them the UN could lose the prestige it gained in the la st crisis when it "succeededno small featin imposing the respect of one of its resolutions."

IRAQ STILL DOESN'T GET IT: Norway's conservative Aftenposten lamented that "ev en after two rounds of crises... it doesn't seem as if Iraq really comprehends how serious the situation is." And Canada's conservative Ottawa Citizen argu ed that since Iraq has not complied with its agreements, "there is no argument for lifting sanctions as a reward for good behavior." Moreover, while "the Ir aqi people are being abused" it is "not by sanctions, but by the sadism of Sadd am Hussein." In Moscow the reformist Russkiy Telegraf said that even as "Mosc ow, Paris and Beijing will seek a reduction in 'the nuclear inspections'" as a result of apparent Iraqi compliance in the nuclear sphere, "Iraq may undo the e fforts of diplomats from countries that sympathize with it" through threats and otherwise preparing the ground "for another rebuff from the Security Council."

This survey is based on 27 reports from 17 countries, April 2330.

Editor: Jim O'Callaghan

MIDDLE EAST
X` hp x (#
X` hp x (# JORDAN: "Mystery Of The Link Between Two Crises"

Salh Qallab, managing editor of independent, massappeal Arabic AlArab
AlYawm,
wrote (4/28): "As if by magic, whenever a new initiative starts to
reactivate
the peace process, the Iraqi crisis begins to warm up to reach
the point of c
onfrontation.... The current escalation is most likely to
reach its climax on
May 4, when people are due to meet in London; then they
will be compelled to l
eave their agendas on the negotiating table and rush
over to prevent a confron
tation between Iraq and the United States. All
this cannot be by coincidence,
particularly when we recall the link between
the events of the first and seco
nd Gulf Wars and the Middle East conflict.
We must also remember that the hap
py occasion of Madrid, in which Netanyahu
ululated long and loud, was the logi
cal consequence of the outcome of the
war in Kuwait."
X` hp x (#
"Iraq's Request For Lifting Sanctions"

Columnist George Haddad wrote on the oped page of centerleft, influential
Arabi
c AlDustur (4/18): "Iraq has asked the Security Council to lift the
eightyearo
ld international sanctions. In fact, Iraq has gone beyond
everything in its re
sponse to the Security Council resolutions and the
international will and desir
e and there is no pretext to retain the
sanctions.... According to Resolution
687, sanctions will be lifted as soon
as the United Nations confirms the end
of Iraq's banned weapons. Such a
confirmation, however, remains subject to Am
erican desires and, judging from
the way the United States handled other crise
s on the basis of double
standards and preferential treatment, getting this co
nfirmation is highly
doubtful. Therefore, the Arabs are required to move fast
on all fronts to
stop the massacre in Iraq."

" Easy To Blame 'Spies'"

The centrist, influential among the elite Jordan Times commented (4/18): "It
i
s understandable for the Iraqi authorities to react angrily to a report
filed b
y the special rapporteur of the UN Human Rights Commission accusing
them of con
ducting about 1,500 summary, arbitrary or extrajudicial
executions. But it is
selfdefeating for the government in Baghdad to go as
far as accusing him of be
ing a U.S. agent... It is true that the commission
has often been charged with
applying double standards and for being soft on
some countries when their huma
n rights violations are voluminous. However,
that UN organ has never been accu
sed of charging a country of human rights
violations lightly or arbitrarily....
Even the Baghdad government's best
friends will not deny that its record on
human rights has never been
exemplary.... If the Iraqi government now contends
that the information that
was made available to Van der Stoel is wrong, it sho
uld accept responsibility
for failing to provide him with the necessary tools t
o conduct a fair and
thorough investigation."
X` hp x (#
EGYPT: "Unjust Policies Against Iraq Continue"

Progovernment Al Ahram opined (4/29): "The UNSC decision to renew the
sanction
s over Iraq is a continuation of the unjust policies of the council
against Ira
q, and the United States is playing a major role. Interestingly,
the American
secretary of defense said that although his country realizes
that Iraq does no
t maintain any weapons in the palaces, it insists on
inspecting them to prove
the principle that everything in Iraq is subject to
inspection. This is unwise
, retaliatory logic which will have bad
consequences."

"U.S. Strangulation Is Useless"

Samir Ragab, editorinchief of progovernment Al Gomhouriya, insisted (4/29):
"The United States' insistence on strangling the Iraqi people by maintaining th
e sanctions confirms that the UN and UNSC are useless. Despite Iraq's major co
mmitment to implementing international resolutions, Washington and London refus
ed the mere idea of easing these sanctions. France, China and Russia exerted t
heir utmost to find a way out for the Iraqi people, but in vain. On the other
hand, Saddam is celebrating his birthday regardless of these sad circumstances
. This is the utmost provocation of the feelings of not only the Iraqi people
, but the whole world."

"Inspections Should Be Cut"

Salama Ahmed Salama maintained in progovernment daily Al Ahram (4/26): "So fa
r, Iraq has not gone back on its promise to allow the inspection team to do its
job. According to the reports submitted to Annan, Iraqi cooperation has been
satisfactory. Of course, now that the inspections teams have not found chemica
l or biological weapons, the inspection operations should be cut or the sanctio
ns alleviated. But the campaign led by Butler, instigated by the United States
, seems to be Washington's tool to convince the world that Iraq has made not pr
ogress. It seems to remobilize the world against Iraq, and this was Cohen's ma
in mission in his recent tour, when he emphasized that the United States will n
ot approve any lifting of sanctions, not now nor in the near future."

QATAR: "Crisis Is Humane As Well As Political"

Semiindependent, Arabic AlRayah asked (4/30): "Has the countdown for a showdo
wn between the United States and Iraq, and between the UN and Iraq began after
the UN decided to extend sanctions on Iraq?... The international community was
hoping that the UN would favor a partial lifting of sanctions after the Annan
agreement and in light of the human tragedy in Iraq. The solution for the (i

mpending) crisis should be humane and not only political.
And if the United St
ates attaches great importance to Israeli interests
alone, and is not intereste
d in humane aspects in its crisis management, the
Security Council should. Bag
hdad...should also refrain from taking extreme
positions...as long as it is com
plying with UN resolutions. Arab countries
should assume their responsibility
in supporting Iraq by cooperating with the
Security Council to diffuse crises b
etween the council (and Iraq).

"The continuation of U.S. and British rejection of allowing any flexibility
in
dealing with Iraq might end in differences in opinion in the Security
Council
, for which the Iraqi people will pay the price. And since Iraq is
serious ab
out abandoning, the international community should
respond...because millions
of Iraqis cannot be ignored for differences
between inspection teams and the I
raqi government."

"Israel's Hegemony Over Arab World"

Semiindependent, Arabic AlWatan opined (4/29): "U.S. Ambassador to the UN
Bil
l Richardson announced that Washington intends to veto any attempt to lift
sanc
tions on Iraq, even a partial lifting of sanctions. Last week, the
United Sta
tes categorically rejected a new proposal on the Lockerbie case
presented by re
presentatives of the victims. In the meantime, the United
States supports Isra
el's refusal to withdrawal from occupied Palestinian
land till the Palestinian
side meets its conditions, namely, facing all who
are opposed to the Oslo agre
ement under the pretext of combatting terrorism.
These three American position
s are not unrelated. Keeping Iraq and Libya
weak under sanctions and supportin
g Israeli occupation of the West Bank
forever are all part of the U.S. strategi
c agenda aimed at enhancing Israeli
hegemony over the Arab world."

"U.S. And Britain Still Intransigent"

Semiindependent, Arabiclanguage AlSharq contended (4/28): "It is clear
that
sanctions (on Iraq) are in themselves the goal and that the weapons
issue is on
ly an excuse. It is also clear that whatever Iraq does, the
United States and
Britain are still very intransigent. And in all of this,
none other than the I
raqi people will pay the price.... Aid to Iraq cannot
be in the shape of plane
s carrying relief material every now and then, nor
international delegations t
hat visit Iraq from time to time. The world
should find a way to solve the is
sue as a whole without succumbing to the
views of just a few countries alone.

"For example, the UN could have a clear role in this if it decides to
distance
itself from American hegemony by preparing final inspection plans
to be carri
ed out by objective teams to decide on the final decision. The
Arab League co
uld have a similar role.... One issue would remain. It is
high time that Iraq
itself take part in (efforts) to end the Iraqi people's
misery. This will not
be achieved unless the situation is clear without any
suspicions."

EUROPE
X` hp x (#
X` hp x (# BRITAIN: "More And More Difficult For Saddam"

BBC Radio's World Service had this report from Baghdad (4/28) on the mood of
t
he Iraqi people as the regime celebrates Saddam Hussein's 61st birthday:
"As s
anctions continue, it is becoming more and more difficult for the
leadership of
Iraq to convince the people that everything is being done for
their wellbeing.
So the birthday celebrations become more of an eventthe
celebration of the pe
rsonality, the great leadership, of Saddam Hussein. But
the fact is that a lot
of people are suffering from sanctions. The way the
government is playing thi
s is to deflect all of that suffering back on to the
West, in particular Britai
n and the United States....

"But the longer sanctions go on, the more difficult it is to carry on blaming

p
articular governments for the suffering of the Iraqi people. Iraqis are
becomi
ng restive, impatient. It is becoming more difficult to convince them
that the
ir interests are being looked after by the leadership and that all
their proble
ms can be attributed to external forces."

"Birthday Boy Saddam Flexes Iraq's Muscles"

The centrist Independent had this from Baghdad (4/28): "The main political
de
velopment in Iraq since the February crisis has been the increased
visibility a
nd confidence of President Saddam. The evidence is less in his
birthday celebr
ations than prolonged appearances in public. This is in sharp
contrast to his
disappearance from public view for long periods over the past
eight years.

"Ten days ago he reviewed the volunteer army for five hours in Baghdad. He
eve
n shook hands with ambassadors, most of whom had never seen him (they
present t
heir credentials to his vice president). His public appearances
indicate great
er confidence in his personal security and political future."

GERMANY: "Vigilance Is Not Superfluous"

KlausDieter Frankenberger in rightofcenter Frankfurter Allgemeine
(04/27): "
The critics of the U.S. Iraq policy will now quickly raise
accusations that th
e Clinton administration is pinning its hopes on the
military card alone witho
ut acknowledging the 'facts.' But the decision to
leave the U.S. contingency
of 38,000 forces in the Gulf for the foreseeable
future is a kind of reassuran
ce. In the past, this policy showed that the
U.S. presence considerably promo
ted the willingness of the Iraqi regime to
cooperate with the United Nations c
oncerning the elimination of weapons of
mass destruction. Without the militar
y scenario which the United

States and Britain set up in the Gulf, the UN secretary general would not
have
been able to settle the latest showdown...with Iraq. The military
presence i

s part of the U.S. strategy to deny Saddam the possession of
weapons of mass d
estruction. As long as the United Nations does not issue a
clean bill of heal
th regarding Iraqi weapons ambitions, vigilance is not
superfluous."

X` hp x (#ITALY: "U.S. Making A Mistake"

X` hp x (#An editorial in leftleaning, influential La Repubblica (4/28): "The
United
States is repenting for failing to push 'Desert Storm' troops as far a
s
Baghdad in 1991, a decision which now forces them to continue to deal with
S
addam Hussein. Yet Bill Clinton and his ambassador to the United Nations,
Bil
l Richardson, are making a mistake in turning their frustration into
allout su
pport of economic sanctions. The history of international
relations shows tha
t embargoes have never been successful, and the embargo
against Iraq is evidenc
e of that: In seven years, it has not affected Saddam
Hussein's power, nor has
it prevented him from building luxury palaces. It
has instead led to the st
arvation of a majority of the 22 million
inhabitants of Iraq, and it has cause
d the disappearance of the middle
classes which, theoretically, could have pro
moted democratic opposition to
the regime.... In addition...there is another p
roblem concerning the unity
of the antiSaddam front. France, Russia and China
have been asking for
some time for a revision of the UN policy towards Iraq.
To claim, like
several U.S. observers do, that this is simply a line stemming f
rom economic
calculations, is simplistic. The reality is that the FrenchRussi
anChinese
position clashes with the policy of 'closing Iraq in a box' imposed s
o far by
Washington. If Baghdad behaves with arrogance and spite towards the U
nited
Nations, like it did last fall and again at the beginning of this year, i
t
ends up playing it into the hands of the Americans. But if it collaborates,

like it appears to be willing to do now, then U.S. intransigence appears
inap
propriate."

"New Atmosphere More Supportive Of Iraq"

New York correspondent Arturo Zampaglione reports in leftleaning,
influential
La Repubblica (4/28): "The debate which began yesterday at the
United Nations
has shown the existence of a new atmosphere, much more
supportive of Iraq. I
n closeddoor meetings, Russia, France and China have
asked for a softening of
the inspections. And there are rumors that a
proposal by Moscow...which decla
res concluded the phase of 'active'
inspections of Iraq's former nuclear progr
am may be voted in the near
future.... It is enough to walk around the 'Delega
te's Lounge' at UN
headquarters...to realize that there is growing distaste wit
h for the
embargo."

RUSSIA: "Iraq's Asking For It"

Vladimir Natalyin said in reformist Russkiy Telegraf (4/28): "Russia, France
a
nd China are going to raise the question of Iraq's nuclear site inspections.
I
n their opinion, IAEA experts have found no evidence of the presence of
nuclear
weapons in that country. Therefore, Moscow, Paris and Beijing will
seek a red
uction in 'the nuclear inspections.' Such a proposition has a
symbolic rather
than practical meaning, since it would hardly result in
immediately easing the
sanctions. But it is a chance to talk about Baghdad's
'compliance,' however pa
rtial. Iraq, though, may undo the efforts of
diplomats from countries that sym
pathize with it. The other day the Iraqi
government stated that 'the enemies w
ill pay dearly for extending the
sanctions.' It again attacked Butler for lyin
g and not being objective.
Moreover, the Iraqis have censured Moscow for 'inde
cision.' So they
themselves have prepared the ground for a another rebuff from
the (UN)
Security Council."

AUSTRIA: "Next Step In Baghdad's Hands"

Independent Der Standard had this commentary Gudrun Harrer (4/30): "Richard Butler...submitted a very negative semiannual report. During the debate in the Security Council...cautious progress...was acknowledged, as well as the fact that the IAEA confirmed that Iraq was free of nuclear weapons programs. This cannot be said about biological and chemical weapons. If the Iraqi leadership thinks that the inspections will get rid of the fact that UNSCOM has not uncovered the whereabouts of a considerable amount of biological and chemical weapons yet, this only shows its political naivete. Nothing has been found yet, but first, there was enough time to remove everything suspicious, and second, the inspections were extremely short. But the inspectors will come again, and more than once. Clinton failed to find a consensus in support of a military attack against Saddam once before. Without losing face (in particular visavis the Republicans) he can only withdraw if the inspections in Baghdad work. This time, it lies primarily in Baghdad's hands whether the smoldering crisis will break out or not."

BELGIUM: "An Old TacticFamine"

Under the heading: "Sanctions Probably Maintained," Laurent Monseur wrote in leftist Le Matin (4/28): "All that resembles an old war tactic: using famine to win by stirring a population against its chief. But since 1990, the Iraqi population seems to be more than ever united behind Saddam Hussein.... The second Gulf crisis demonstrated it: the Iraqi chief of state had succeeded not only in dividing the international community but in restoring the unity of the Arab world around him.... The UN had emerged taller from this test of strength with the Iraqi regime. The organization had succeededno small featin imposing the respect of one of its resolutions. By refusing to lift the economic sanctions, the UN could just as 'easily' lose this recovered credit."

"Virtually Certain Iraq Will Cause New Crisis"

Conservative Catholic Gazet van Antwerpen noted (4/28): "Richard Butler, the
chief of the UN observers, claims that no progress has been made during the
las
t six months in the field of arms inspections.... There is every
indication t
hat the UNSC will believe Richard Butlerand not Saddam
Hussein. Consequently,
the sanctions will remain in vigor and it is
virtually certain that Iraq will
cause the new crisis which it has announced.
It is uncertain what that implies
. Western diplomats think that the UN
inspectors will again be denied access t
o the presidential palaces."

CANADA: "Cracks In The World's Resolve Will Emerge"

The conservative Ottawa Citizen predicted (4/23): "By next week, cracks
will
again be showing in the world's resolve to make Iraq behave.... Before
the ar
guments begin, all governments should read the most recent report by
the UN's s
pecial rapporteur on human rights in Iraq. It details Saddam's
continued mistr
eatment of his people.... On sanctions, the report says that,
yes, Iraqis are
suffering, and that their deprivation is sometimes
unspeakably cruel. But sanc
tions haven't caused this; how Saddam reacted to
them has.... The Security Cou
ncil is obliged to review its sanctions regime
every six months.... Mostly it
will consider a fresh report from its weapons
inspectors to the effect that Ir
aq is no closer to complying with UN weapons
directives than it was last Octobe
r. There is therefore no argument for
lifting sanctions as a reward for good b
ehavior.... The Iraqi people are
being abused, not by sanctions, but by the sa
dism of Saddam Hussein."

FINLAND: "Saddam Hussein Remains Unchanged"

Secondlargest morning, Aamulehti argued (4/27): "Saddam Hussein remains

uncha
nged. When the UNSCOM recently said that no notable progress had been
made in t
he elimination of Iraq's weapons of mass destruction over the past
few months,
Saddam launched a counterattack.... Tariq Aziz dismissed the UN
report as cont
aining blatant mistakes and lies, and called for rapid lifting
of the sanctions
saying Iraq has complied with UN resolutions.... This
sounds familiar ... a n
ew crisis is approaching.... Even though Iraq has
opened a few new doors, it h
as not done enough.... It is important that the
UN Security Council remain uni
ted on major issues and discharges Iraq's
treacherous attempts to drive a wedge
between the great powers."

NORWAY: "Iraq Hasn't Learned"

Conservative Aftenposten's editorial stressed (4/24): "In the last decade,
th
e West has gotten used to fairly forceful verbal attacks by Baghdad. But
it is
hardly very constructive of Iraq's Vice Prime Minister Tariq Aziz,
only a few
days before next week's important debate in the UN about weapons
inspections
and sanctions, to call Richard Butler, leader of the weapons
inspectors, an Am
erican agent... Even after two rounds of crises, one in
November and one early
this year which almost developed into an open
conflict between the United Stat
es and Iraq, it doesn't seem as if Iraq
really comprehends how serious the sit
uation is."

SWEDEN: "Sanctions Against Iraq Necessary"

Stockholm's independent, liberal Dagens Nyheter held (4/29): "There seems to
be no major breakthrough with regard to Iraq's willingness to get rid of its
we
apons of mass destruction, and to the UN Security Council, the issue is
therefo
re a matter of course. Pressures against Iraq will be kept, and
sanctions must
remain in force until the weapons inspectors have concluded
their mission. The
regime in Baghdad holds responsibility for sanctions to be
lifted. Weapons of
mass destruction in the hands of Saddam Hussein are a
frightening thought, and

the dictator must not be given a chance to show what
he is capable of doing...
. However, there are signs that longterm unity in
the Security Council is frag
ile.... A divided Security Council will increase
the risk of a new confrontati
on with Iraq, since the dictator will no doubt
take advantage of any disaccord
among the permanent members of the Security
Council."

EAST ASIA AND PACIFIC

CHINA: "Who Armed Iraq?"

The official Chinese Youth Party China Youth Daily judged (4/27): "The
United
States (on its own initiative) once provided Iraq with information and
weapons
during the IraqIran war to prevent Iraq from being defeated by
Iran... Moreov
er, the United States tried to encourage others to give
military aid to Iraq."

"Long Road Toward SanctionsLifting"

Chi Xinwen noted in the official Chinese Youth Party China Youth Daily
(4/25):
"Recently, Western sympathizers seemed to find new evidence of Iraqi
human r
ights violations and attempted to rekindle the issue. On the long
road toward
sanctionslifting, new problems will crop up from both the U.S.
and Iraqi sides.
"

THAILAND: "New Iraq Crisis Brewing"

The moderately conservative, English language Bangkok Post opined (4/27):
"It
seemed last February that Mr. Annan had managed to avoid the political,
milit
ary and social problems that...new air strikes would bring. But the
warning v
oices of a few experts on the Middle East apparently are right.
Just 60 days
after agreeing to proceed properly in disarmament, Iraq has
again begun complai

ning. Last week, President Saddam chaired a cabinet
meeting. That meeting vow
ed, in essence, not to obey the agreement it signed
with Mr. Annan and the UN m
embership... It is clear a new Iraq crisis is
brewing, and it could climax qui
ckly. Twice in the past six months, the UN
has backed away from military conf
rontation with Iraq.... So long as it
continues to prohibit UN inspection of h
uge parts of its country, there can
be no sympathy for its claim that the UN, o
r America, is picking on it. Iraq
should show the world it has disarmed by ope
ning all sites to the UN
inspection teams. The terms of the peace treaty Iraq
signed with UN seven
years ago are clear enough. Iraq must be clearly disarme
d of its weapons of
mass destruction, or it must suffer the consequences."

SOUTH ASIA

PAKISTAN: "Unending Sanctions"

Karachi's independent Dawn insisted (4/30): "Like the wolf in the ancient
fab
le, who found a second excuse when the first one did not help it in its
chase o
f the helpless lamb, the UN seems determined to keep Iraq indefinitely
under pu
nitive economic sanctions on one pretext or another.... While
earlier the Uni
ted States held access to the presidential sites as crucial to
UN inspections,
its officials now stress that the 'core issue' is not the
presidential sites bu
t Iraq's inadequate accounting of all of its biological,
chemical and nuclear w
eapons.... If after seven years of sanctions and
countless inspections and dis
mantling operations, the international
inspectors have not been able to establi
sh any concrete evidence against
Iraq, the senseless exercise should not be all
owed to go on. Whichever way
one looks at it, there is no political, moral or
legal justification for the
UN to carry on with its catandmouse game."

AFRICA

KENYA: "UN Decision Unfair To Iraq"

The lead editorial in the ruling partyowned, nationalistic Kenya Times
judged (
4/29): "Why would a superpower which purports to strive for the
improvement of
the living conditions of humanity push ahead with an idea
that brings about s
uch suffering? There is no excuse for such tyranny. If
the Jews still talk o
f the holocaust during the Nazi era, why shouldn't the
Iraqis feel equally agg
rieved by the crippling sanctions imposed on them?"

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

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: Allison Fansler (CN=Allison Fansler/O=Department of the Treasury [UNKNOWN])

CREATION DATE/TIME:26-JUN-1998 12:08:02.00

SUBJECT: weekly report for the week of june 29

TO: Cabinet Affairs (Cabinet Affairs [UNKNOWN])
READ:UNKNOWN

TO: Jon P. Jennings (CN=Jon P. Jennings/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:
June 26, 1998

MEMORANDUM FOR ERSKINE BOWLES, THE WHITE HOUSE

FROM: Robert E. Rubin

SUBJECT: Weekly Report for the week of June 29,

1998

HOT ISSUES

Asia

Russia

IRS

KEY NEWS

Rubin Trip to Asia: On June 24, Secretary Rubin traveled to China with

President Clinton, where he will participate in meetings with President Jiang Zemin, Premier Zhu Rongji, and other government officials. On June 28, Secretary Rubin travels to Malaysia to meet with Malaysian officials and business representatives, after which he will travel to Thailand to discuss the effects of the financial crisis with Thai officials and business leaders. Secretary Rubin will finish his trip in Korea where he will discuss the Asian financial crisis with President Kim and Finance Minister Lee, as well as other government officials.

Summers Trip to Asia: On June 18, Deputy Secretary Summers, New York Federal Reserve Bank President William McDonough, and Ambassador Sherman attended meetings in Japan on its current economic problems, and on June 20 they attended a G-7/Asian meeting on the Asian financial crisis focusing on Japan. Deputy Secretary Summers and Ambassador Sherman also met with President Habibie in Indonesia and former and current Prime Ministers Lee Kuan Yew and Goh in Singapore. The trip was useful both in carrying an urgent message of concern about Japanþs economy and in reinforcing our commitment to helping the Indonesian people, but it also confirmed the magnitude of the challenges facing the region.

Indonesia: On June 25, Indonesian officials signed a letter of intent with the International Monetary Fund which outlines a revised reform program focused on stabilizing the economy, ensuring adequate supplies of food and other necessities for the Indonesian people, and restructuring the banking system. GDP is forecast to contract by 10%, inflation is expected to soar to 80%, and the budget deficit will rise to 8.5% of GDP during 1998. The agreement indicates that Indonesia will require $4-6 billion in external support to fill this budget gap. On June 25, the

Asian Development Bank approved a $1.5 billion financial sector assistance program for Indonesia. The World Bank is also expected to consider a $1 billion structural adjustment loan, most likely on July 2. Both of these loans are part of the existing pipeline of support for Indonesia and will therefore not help to close the external financing gap.

Russia: On June 25, the IMF Board approved release of the delayed $670 million loan installment for Russia. A new IMF mission will arrive in Russia during the week of June 28 to begin discussions on a possible new funding program, which Russia has said could take 1-2 months. Bond yields continue to rise as foreign demand weakens.

Electronic Funds Transfer (EFT) þ99: On June 25, Treasury issued key provisions of final regulations to carry out EFT '99, the congressional mandate that all Federal funds transfers be conducted electronically by January, 1999. The regulations will allow federal payment recipients to continue receiving paper checks if electronic deposit would cause hardship, and Treasury officials continue to work to minimize abuses by financial services providers surrounding the implementation of EFT þ99. On June 18 and 19, with Treasuryþs encouragement, Western Union sent a correction notice to all 9,000 Benefits Quick Cash electronic program enrollees, in which the company admitted that it had disseminated misleading information on the ability of recipients to continue to receive checks. Also, a partnership between BancOne and local retailers in Baltimore, including liquor stores, has raised concerns about whether federal payment recipients are being misled about their options. Under Secretary Hawke will issue a statement calling attention to the potential for abuse, and emphasizing the liberal waiver provisions in the final EFT regulation.

On June 23, Treasury officials met with executives at Chase Manhattan Bank who agreed to form a partnership to help educate recipients of federal checks about EFT þ99. Similar partnerships are being pursued with Citibank, the American Payroll Association, and other financial-services providers.

Foreign Sales Corporation Rules: On June 17, Sir Leon Brittan, Vice-President of the EC, sent a letter to United States Trade Representative Barshefsky which states that the EU intends to convene a WTO dispute resolution panel to decide the compatibility of Foreign Sales Corporation (FSC) tax rules. The EU believes that the FSC rules, which provide tax benefits to US multinationals based on the amount they export, unfairly promote US exports and restrict imports. Treasury officials will raise the issue at both the OECD and G-4 meetings with our tax policy counterparts in the coming weeks and emphasize that the trade forum is ill suited to resolution of international tax issues, which are better handled between the tax experts of contending parties. These tax benefits are highly valued by the US business community, particularly the aircraft, chemical, electronics and software industries, and a loss in the WTO would likely cause a stir among U.S. exporters. Treasury continues to work with USTR to resolve this issue.

At the same time, Treasury and the IRS are withdrawing administrative guidance that would have limited the tax benefits available to the software industry under the FSC rules. Also, the Department of Defense has asked us to continue to work with the defense industry to determine whether companies exporting defense products should receive a greater benefit under this law.

WORK ON PRESIDENTIAL INITIATIVES

India/Pakistan Sanctions: Treasury is in the final stages of preparing a draft Executive Order which will clarify the prohibition against extending loans and credits to the Government of India. We expect a draft Executive Order for Pakistan to follow shortly thereafter. Meanwhile, we continue to implement Glenn Amendment sanctions pertaining to international financial institutions and U.S. banks. We have gone beyond the requirements of Glenn to oppose all lending to Pakistan and India (except for basic human needs), and have obtained agreement from our colleagues in the G-7/G-8 to defer lending. To date, World Bank loans for India totaling $900 million have been postponed at the request of the U.S. and others. In both India and Pakistan, the stock markets and currencies have significantly weakened since the nuclear tests in anticipation of sanctions.

Year 2000: On June 17, the Department of the Treasury, the Federal Reserve Bank of New York, and the Bond Market Association sponsored a conference on Y2K testing for participants in the U.S. Treasury securities market. The conference reinforced the need for Y2K testing and provided specific information on upcoming testing opportunities.

Long-term Care: At the request of the Domestic Policy Council, Treasury is exploring options to provide tax credits for long-term care. Treasury will participate in an interagency meeting on the topic.

Privatization: The Board of Directors of the United States Enrichment Corporation determined on June 11, 1998, that the transfer of the governmentþs interest in USEC to the private sector should be undertaken through an initial public offering. We are planning to announce this decision during the week of June 28. Given the extensive congressional and press interest in this issue, Treasury has been working closely with USEC to develop the appropriate approach for making this announcement.

CONGRESSIONAL ACTIVITY

IRS Restructuring: On June 23, conferees reached agreement on the final provisions of the IRS reform bill. Treasury and the IRS worked closely with the conferees and staff throughout this process. Treasury was able to achieve executive branch oversight and adequate personnel flexibility while reaching compromise in areas of tax policy such as suspension of interest and penalties, dues process on collection activity, relief for innocent spouses, and burden of proof. The combination of these changes eliminated the aspects of the Senate bill most detrimental to IRS enforcement capability and cut the cost of the Senate bill nearly in half. On June 24, Commissioner Rossotti participated in a press conference with Chairmen Roth and Archer to announce the agreement.

IMF: On June 25, Speaker Gingrich joined Agriculture Committee Chairman Smith, Ranking Member Stenholm, Rep. Boehner and others in a press conference on fast track authority, IMF funding, and trade sanctions. Gingrich said that he supports fast-track authority and some degree of IMF funding in order to help boost agriculture exports which have been hurt by the Asian economic crisis. On June 24, Reps. Dooley and Stenholm introduced the Senate IMF bill in the House, and during the week of June 21, House Democrats launched a discharge petition to try to force a vote on IMF funding.

On June 23, Secretary Rubin met with Sens. Kempthorne, Bennett, and Craig to discuss their concerns that the funds from international financial institutions are being used to subsidize the Korean semiconductor industry, helping to undermine Micron Technologies, one of the largest employers in Idaho and Utah.

Financial Modernization: On June 17, Secretary Rubin and Under Secretary Hawke testified before the Senate Banking Committee on the financial modernization legislation passed by the House, H.R. 10. On June 18, the Committee heard testimony from representatives of the insurance, securities, and banking industries. On June 24, the Senate Banking Committee heard testimony from Ralph Nader and representatives from a number of consumer and community banking groups who complained that H.R. 10 addresses industry interests without considering how changes would affect credit access, fee levels, or privacy. The groups supported Treasuryþs position on operating subsidiaries. On June 25, Acting

Comptroller Julie Williams testified with other financial services regulators, including Director of the Office of Thrift Supervision Ellen Seidman, SEC Chairman Arthur Levitt, and FDIC Chair Donna Tanoue.

Community Development Financial Institutions Fund: Treasury continues to work with the CDFI Fund on authorization and appropriations. On June 23, the Fund received an appropriation of $80 million from the House VA/HUD Subcommittee, having previously received $55 million in the Senate Subcommittee. We expect that in the conference, the House will be supportive of a mark that does not go below $80 million, the same level at which CDFI was funded in FY '98. Reauthorization hearings went well, and subcommittee minority members will push for quick reauthorization. Sens. Kennedy and Domenici introduced legislation to authorize the CDFI Fund to run a technical assistance program for micro-enterprise organizations, and this legislation was referred to the Banking Committee.

Child Labor: On June 25, Under Secretary Kelly will meet with Sens. Harkin and Kohl and Rep. Sanders to brief them on steps taken by Customs and Treasury to implement President Clintonþs Child Labor Action Plan. Among other matters, Under Secretary Kelly will report on the fact-finding mission to Nepal and Bangladesh by Treasury and Customs staffers from June 4-12. During that mission, the delegation held 20 meetings with government officials, nongovernmental organizations and business executives concerned with child labor. The delegation visited a carpet factory in Nepal and witnessed what they believed to be children at work. This trip provided information which will be useful to Customs in continuing its investigations into child labor activities in Nepal.

Treasury is now receiving applications for membership on the new International Child Labor Advisory Committee.

Appropriations: On June 17, the House Appropriations Committee passed the FY 1999 Treasury-Postal appropriations bill and floor action is scheduled for late June 24. The allocations for the House were much more favorable than the Senate, allowing the Committee to support most of our request. The bill as approved by the full Committee allocated $29.1 billion for FY 1999 with discretionary spending of $13.2 billion. The areas of most concern are the IRS and ATF operational reductions.
During the week of June 21, the Senate will be marking up their bill in full Committee. We expect the Senate mark to be much more difficult for the Department, given that their allocations were $243 M below the House in budget authority and even more severe in terms of outlay constraints. We expect the Senate bill to include similar Y2K adjustments as the House in order to capitalize on the separate emergency reserve created to address this issue.

House Banking Democratic Briefing: On June 24, Deputy Secretary Summers participated in an informal briefing and discussion on current international economic issues with House Banking Committee Democrats. Deputy Secretary Summers provided a status report on India/Pakistan sanctions, the economic outlook for particular countries, the state of the Russian economy, Chinese economic reform, and the economic outlook in Japan. Members focused their questions on Russia and Japan.

Senate Foreign Relations Hearing: On June 24, Deputy Secretary Summers testified before the Senate Foreign Relations Committee about the Asian financial crisis and the importance of IMF funding. Sens. Biden, Hagel, and Thomas attended the June 25 hearing and supported Treasuryþs efforts to get Japan to take concrete steps to improve its economy. Deputy Secretary Summers provided brief descriptions of his trip and of the importance of the current economic situation for Asia, Latin America, and Russia. All three Senators stressed the need for IMF funding and Sens. Biden and Hagel stressed it would be irresponsible for the House not to follow the Senate. Although only three Senators attended the subcommittee hearing, there was heavy press coverage, mostly from the foreign press.

Exchange Stabilization Fund: Reps. Bachus, Sanders, Burton and eight other Representatives have sent a ADear Colleague@ letter urging support for their amendment to the Treasury/Postal appropriations bill. This proposed amendment would require prior Congressional approval of Treasury use of the Exchange Stabilization Fund except in cases such as the yen intervention of last week. Secretary Rubin has sent a letter to Chairman Livingston strongly opposing the amendment. We are seeking the inclusion of þveto language@ in the SAP for the bill when it goes to the floor on June 26. We continue to contact members to urge them to oppose the amendment.

Social Security: On June 18, the Senate Finance Committee postponed their hearing on general retirement policy issues, including private pensions, personal savings, and Social Security. On June 29, Deputy Secretary Summers, who was scheduled to testify at the hearing, will address a

Social Security forum in San Angelo, TX, for Rep. Stenholm.

Climate Change: In response to a March 11, 1998 request to Secretary Rubin from Rep. David McIntosh, Chairman of the House Government Reform Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs, Treasury released to the Subcommittee on June 23, 1,800 pages of documents on the White House Initiative on Climate Change. We continue to work with the White House and the Subcommittee to produce documents responsive to Chairman McIntosh's request.

Y2K: Treasury submitted a written statement at the House Banking Committee hearing on Y2K implications for international financial institutions. The hearing included Ernest Patrikis, Vice President of the Federal Reserve Bank of New York and chairman of the Joint Year 2000 Council, and Tim Shephard-Walwyn, executive director of the Swiss Bank Corp. and chairman of the Global 2000 Coordinating Group.

Internet Tax Bill: The House Judiciary Committee approved the bill that would establish a three-year moratorium on Internet taxes. Deputy Secretary Summers expressed support for the Internet Tax Freedom Bill in a letter to Speaker Gingrich and Minority Leader Gephardt on June 23. Though the Administration supports the bill, Deputy Secretary Summersþ letter expressed our belief that it needs modification in order to ensure that the Internet won't become a drain on tax revenues from local governments, and also recognized the need for a framework to deal with the long-term implications of Internet-related commerce.

Democratic Pension Bill: Treasury officials have been working with Sen. Daschle and Rep. Gephardtþs offices with the Democratic leadershipþs pension bill which was scheduled to be announced during the week of June 21. The bill will include the Presidentþs budget proposals relating to pensions, but also many other provisions, some of which raise policy concerns for us.

Debt Management: On June 24, Assistant Secretary Gensler testified before the House Ways and Means Committee on Debt Management. The hearing, which focused on Treasury's management of the public debt in an era of budget surpluses, went well. For the most part, Members raised questions about the mechanics of Treasury's debt management, such as the effect of innovations instituted in May that led to the development of inflation-indexed securities, and the redesign of nonmarketable securities issued to state and local governments.

PRESS ACTIVITY

On June 18, Bloomberg News ran a profile on Secretary Rubin as official spokesperson on the dollar and how he helped halt the slide of the yen. On June 19, Secretary Rubin participated in a Reuters editorial board meeting. On June 20, Deputy Secretary Summers met with John Cassidy to wrap up his interviewing for a profile piece which is expected to run in next week's issue of The New Yorker magazine. On June 21, CBS Sunday Morning aired profile on Secretary Rubin.

International: On June 17, Secretary Rubin joined National Security

Advisor Berger for a White House Press Corps briefing on China. On June 18, Under Secretary Lipton participated in a press briefing at the State Department to give an update on the progress of the India/Pakistan sanctions. The briefing was well attended and Reuters, The Associated Press, Dow Jones and other press ran stories. On June 18 and 19, Assistant Secretary Geithner spoke with The New York Times Editorial Board and The Washington Post on the G-7 Deputies/Manila Group meeting.

On June 19 and 20, Deputy Secretary Summers met with the traveling press on his Asia trip. On June 20, he held a widely attended press conference immediately following the Manila framework meeting. On June 24, Deputy Secretary Summers testified before the Senate Foreign Relations Committee on the Asian financial situation and the importance of funding for the IMF. The hearing was very widely covered by the press and the Deputy Secretary was joined by Senator Hagel in a press availability immediately following the hearing.

Domestic Finance: On June 18, Secretary Rubin met with USA Weekend to discuss the roll-out of the new $20 bill which will be released in the fall. On June 18, Assistant Secretary Gensler spoke with Institutional Investor regarding Treasuryþs changes to the auction cycle. On June 19, Assistant Secretary Gensler was interviewed by Barron's Magazine on the diminishing number of primary dealers in the bond market and the potential implications for government securities. On June 24, Assistant Secretary Gensler delivered Congressional testimony before the House Ways and Means Committee on the Department's approach to managing the public debt in an environment of budget surplus. On June 24, Treasurer Withrow traveled to

Biloxi, Mississippi, to address the Biloxi Chamber of Commerce.

On June 22, the Community Development Financial Institutions Fund (CDFI) announced a $1 million award to the Cooperative Business Assistance Corporation at a press event in Camden, New Jersey. Deputy Assistant Secretary Barr represented Treasury at the ceremony, which was covered by ABC -Channel 6 in Philadelphia and other local media. On June 24, CDFI Director Lazar met with Michael Kelly of The Washington Post and the National Journal to discuss the current state of the CDFI Fund and its future. Kelly wrote a June 10 column based on Rep. Bachusþ report which was critical of the Fund. On June 25, Treasury issued key provisions of final regulations to carry out EFT '99, allowing federal payment recipients to continue receiving paper checks if electronic deposit would cause hardship. Treasury staff spoke with The Associated Press, USA Today and The New York Times on this story.

Tax Policy/IRS: On June 16, Secretary Rubin participated in a press conference with Rep. Gephardt on sunsetting the tax code. On June 23, Assistant Secretary Killefer and Commissioner Rossotti traveled to Florida to announce the nation's first IRS Citizens Advocacy Panel, which will be based in the IRS South Florida district. This announcement was extensively covered by local media. On June 23, Treasury spoke to reporters from CNN, The New York Times, The Washington Post, The Associated Press, and The Los Angles Times about IRS restructuring and capital gains legislation. On June 24, Deputy Secretary Summers spoke to The Washington Post on passage of the IRS restructuring bill. On June 24, Treasury released a letter from Deputy Secretary Summers to members of

Congress detailing the Administrationþs position on Internet taxation legislation. USA Today, The New York Times and the Associated Press wrote stories.

Enforcement: On June 17, Assistant Secretary Johnson taped an interview with the Discovery Channel on the National Church Arson Task Force for their Justice Files program to air in October. On June 19, OFAC Director Newcomb spoke to The Associated Press and the Palm Beach Post about the resumption of direct flights from Miami to Havana on July 1.

SECRETARYþS SCHEDULE:

The Week in Review

Monday, June 22, 1998

No external schedule.

Tuesday, June 23, 1998

Attended prep for President Clintonþs trip to China.

Met with Senators Kempthorne, Bennett and Craig on the IMF.

Met with Ambassador Saito of Japan.

Wednesday, June 24, 1998

Business Roundtable Breakfast.

Departed en route Xian, China

Thursday, June 25, 1998

Arrived in Xian, China.

Participated in Welcoming Ceremony for President Clinton and the U.S. delegation.

Friday, June 26, 1998

Departed Xian en route Beijing.

Met with Governor Dai, China Central Bank.

Met with Chinese Finance Minister Xiang.

Met with Chinese Premier Zhu Rongji.

Saturday, June 27, 1998

Attended State Arrival Ceremony in Beijing.

Met with President Clinton and Chinese President Jiang Zemin.

Attended working lunch with President Clinton and Chinese Premier Zhu Rongji.

Met with members of the traveling press.

Attended State Banquet.

Sunday, June 28, 1998

Traveled to Kuala Lumpur, Malaysia.

Had dinner with Deputy Prime Minister Anwar and Central Bank Governor Don.

The Week Ahead

Monday, June 29, 1998

Will meet with American business leaders in Kuala Lumpur.

Will meet with Deputy Prime Minister Anwar and Malaysian business representatives.

Will meet with Prime Minister Mahathir.

Will hold a press conference.

Will travel to Bangkok, Thailand.

Will attend a working dinner with Thai Finance Minister Tarrin and other government officials.

Tuesday, June 30, 1998

Will meet with Thai Prime Minister Chuan.

Will meet with Thai Finance Minister Tarrin.

Will give a speech at the Chulalongkorn University.

Will meet with members of the American Chamber of Commerce in Bangkok.

Will hold a press conference.

Will have lunch with Thai business leaders.

Will travel to Seoul, South Korea.

Wednesday, July 1, 1998

Will meet with members of the American Chamber of Commerce in Seoul.

Will meet with Korean President Kim.

Will meet with Korean Labor leaders.

Will meet with representatives of small and medium sized enterprises (SMEs).

Will meet with Korean Finance Minister Lee and Ministry officials.

Will meet with Chaebol leaders.

Will hold a press conference.

Will visit the DMZ.

Will travel to New York, NY.

Thursday, July 2, 1998

No external schedule.

Friday, July 3, 1998

Federal Holiday

No official schedule.

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Anita Chomsky (Anita Chomsky (anitac@clark.net@INET@EOPMRX)
[UNKNOWN])

CREATION DATE/TIME:20-AUG-1998 18:25:00.00

SUBJECT: Ag Perspectives

TEXT:

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
INITIALS: AC3 DATE: 12-13-2019
2019-0152-F

WORLD PERSPECTIVES, INC.

~~Confidential~~ Report to Clients

Ag Perspectives Thursday, August 20, 1998 1800EDT

TOPIC SUMMARY

WEATHER: 1. US: Nearly Ideal in the Midwest.

2. WORLD: Weather Shift Coming to China.

MARKETS: 3. CLOSING FUTURES PRICES.

4. COMMENTARY: Edging Lower In Dull Trade.

5. EUROPE: EU Wheat Export Commitments Growing.

ANALYSIS: 6. US Corn Exports; Quietly Booming For A Change.

7. Argentine Crop Update.

POLITICS: 8. All Bets are Off.

CALENDAR: 9. Tomorrow.

WEATHER

1. US: NEARLY IDEAL IN THE MIDWEST: Angela Smith

Weather conditions are close to ideal in the Midwest, with warm but not hot temps and chances for rain increasing over the next several days. Showers in Nebraska and S. Dakota today were good for summer crops, and rain in Kansas, Colorado, and the Texas High Plains tonight and tomorrow will maintain good late season soil moisture. Rain in N. Dakota and Minnesota the past few days has benefited summer coarse grain and oilseed crops, but has caused delays in spring cereal grain harvesting. Spring cereal grain harvesting will continue in the Pacific NW despite scattered showers. A pattern of minimal rainfall in the northern Delta the rest of the week will promote crop development, although some fallout from precip in the Gulf may affect some southern Delta areas. Scattered showers will persist along the Gulf Coast and in Florida into the weekend. Limited rain in the Southeast over the next few days will support summer crop maturation and some corn and tobacco harvesting. Corn and soybean conditions in the region have improved after recent rain.

2. WORLD: WEATHER SHIFT COMING TO CHINA: Angela Smith

Northeastern CHINA has had drier weather the past few days, allowing soil to firm in some areas, but soil moisture levels are excessive in the areas between the Yellow and the Yangtze Rivers. In that area, crops are being affected by standing water and minor flooding. Meanwhile, interior parts of the southeast have been too dry recently and will need rain soon. Weather patterns in CHINA will shift next week, and will likely bring rain to the drier areas and promote drying in the wettest areas. As a result, crop conditions nationwide will have a chance to improve. Confirmation of a lower wheat crop potential came from SOUTH AFRICA yesterday, due to lighter rain and a general decrease in planted acreage. Rain in southeastern AUSTRALIA will keep fields saturated and vulnerable to flooding, but most winter crop conditions are reported as being good nonetheless. Dry weather and warm temps in JAPAN the next few days will promote rice and sugar cane development.

MARKETS

3. CLOSING FUTURES PRICES:

WU	255 3/4	- 2 1/4	CKU	208 1/4	- 1 1/2
WZ	272 1/4	- 2 1/4	CNZ	218	- 1 3/4
KCU	278 1/2	- 1 1/2	SQB	576 3/4	- 4 3/4
KCZ	293 1/2	- 1 3/4	SXB	537 1/2	- 5 1/2
MPU	329 1/4	- 5 1/4	SMQ	141.2	- 0.7
MPZ	335	- 4 1/2	BOQ	24.21	- 0.14

4. COMMENTARY: EDGING LOWER IN DULL TRADE: Bob Kohlmeyer

There was nothing much to save the markets today. Trade was very low in volume and dull in nature. Having nothing to prevent it, prices edged lower pretty much across the board. The markets are dominated these days by the influence of supplies and perceptions that supplies are growing. Demand factors are ignored and will continue to be until after the fall harvests. Unless one is directly hedging something, there is not much reason to trade the markets these days.

Not even the expiration of the Aug contracts in the soy complex helped. They all expired very meekly when the floor secretly hoped for some fireworks. The weakness in the nearby Gulf soybean basis set the tone for Aug soybeans. The Gulf bean basis dropped about a dime in the past 24 hours, and that led Aug Soybeans down to a close about 5 cts lower in limited trade.

Funds were light sellers of corn, lighter sellers of wheat, and were hardly apparent in soybeans. Commercials did sell some soy oil futures. USDA announced that the US option on an optional origin sale of soybean oil to China was cancelled, but it also announced 50,000 mt in new sales made last week.

5. EUROPE: EU WHEAT EXPORT COMMITMENTS GROWING: Bob Kohlmeyer

The EU Commission continues to get some wheat restitution bids in the range it likes, and it therefore continues to accept some reasonable volumes. Today, it awarded 284,225 mt of wheat subsidy at 32.98 ECUs. It also accepted 25,850 mt of French intervention wheat at 83.05 ECUs. In the last 2 tenders the Commission activity has added up to more than 550,000 mt of export wheat activity with values all the while being held at US SRW price levels.

We calculate that the restitution acceptance equals about 96.00 dlrs mt for Aug/Sept, 101.50 for Oct, 105.00 for Nov and 106.00 dlrs mt for Dec. The intervention sale can be called about 97.50 dlrs mt FOB.

The Grains Committee also accepted 60,000 mt of barley restitution along with 78,000 mt of French intervention barley and 26,000 mt of Swedish barley. We call all of this worth about 60.00 dlrs mt.

There were some paper market trades today occurring after bids on the tender were submitted, but before Brussels' acceptances. Some 30,000 mt of Nov/Dec French paper wheat changed hands at 100.00 dlrs mt FOB, while 10,000 mt of Oct/Nov went down at 97.50 dlrs mt. The sellers seem to be betting that flat prices for deferred positions will decline to nearby levels as time passes. They are probably hedged in Chicago wheat futures, though.

The domestic French market has gone to 77.00 FF bid late today.

ANALYSIS

6. US CORN EXPORTS: QUIETLY BOOMING FOR A CHANGE: Bob Kohlmeyer

There can be no question that one of the most important fundamental elements plaguing the corn market and corn prices during the past 9 months has been the very poor pace of US corn exports. In a recent analysis (see WPI 8/17), we noted that USDA's forecast for 97/98 US corn exports dropped from 52.1 mmt in Aug 97 to 37.5 mmt in Aug 98 as corn export volume fell like a rock.

We noted that contrary to popular belief, it was increased foreign competition, not the Asian economic crisis, that was most responsible for this unprecedented decline in US corn exports. Neither USDA nor anyone else could have predicted 12 months ago that China with a poor corn crop would nonetheless export 6 mmt, or that Argentina would exceed the previous year's record corn crop by a monstrous 26 pct, all available to world markets.

With 97/98 US corn exports falling so hard, it has been easy for the market to get into the frame of mind that corn exports are a disaster and will remain so indefinitely. Perhaps it is this frame of mind that has prevented the market from paying attention to the fact that corn exports sales volume and shipments have noticeably picked up in the past few weeks.

In its weekly Export Sales Report issued today, USDA noted that net new sales of US corn for export during the 97/98 crop year were 713,500 mt. The amount sold for the new 98/99 marketing was anet of 472,500 mt. This means that for the week that ended Aug 13, there were a net total of 1.186 mmt of US corn sold for export. That is quite an impressive figure, actually.

The revival of US corn exports gives us some confidence in predicting that USDA's estimate of 1.475 bln bu (37.5 mmt) will be achieved. The fact that Census Bureau export figures are now running ahead of USDA inspections adds to the confidence. In fact, a final US 97/98 corn export number of 1.5 bln bu would now not be surprising, even given that a significant volume of 97/98 sales will undoubtedly be carried over to the 98/99 year beginning Sept 1.

Besides ending the old crop year in a burst of volume, export sales for the new 98/99 year have been picking up as well. After being far behind the sales volume that began 97/98, sales for the next corn crop year (98/99) have now closed to less than 700,000 mt, 4.513 mmt vs. 5.194 mmt, of what they were at this time last year (97/98).

What we have seen recently is the result of a cutoff of new corn sales by China, a slowdown in Argentine corn sales as they reach close to the total expected, and attractive prices. Combined, they have allowed the pace of US corn exports to stage a late season rally that should continue into new crop.

All of this leads us to speculate about new 98/99 US corn exports. USDA has predicted that corn exports will be 1.6 bln bu, a cautious number, but understandable in light of this year's experience. We are inclined to be more optimistic. We think US corn exports can reach 1.725- 1.750 bln bu in 98/99 with an outside shot at 1.8 bln. Much depends, as always, on China. If they are going to export another 6 mmt of corn in 98/99, then 1.725 bln bu for the US could be about as high as US exports get. If, for whatever reasons, China's exports fall off to 3.0 mmt as USDA predicts or even less, then 1.8 bln bu by the US is possible.

Argentina is another question mark. Will they produce another 19-plus mmt crop? Today the answer is probably not, but it will not fall out of bed either. For current analysis purposes we think USDA's current forecast of 18 mmt of Arg corn production is reasonable, and this would suggest a reduction of 1.5 mmt in Arg exports which would also benefit the US.

We see the pros and cons for US 98/99 corn exports to be as follows:

Pros:

-- Good crop with potential for early harvest.

-- Good chance Chinese exports are lower.

-- Probable Arg crop and exports that are slightly lower.

-- Attractive prices.

-- Slightly higher total world corn trade.

-- Less competition from Eastern Europe.

Cons:

-- The Chinese question mark

-- The Asian economic problems catch up to corn via slowed economic growth.

-- Economic problems spread to other developing economies.

-- Huge EU stocks of barley and rye priced very cheaply.

-- Possible that world wheat prices compete with corn much of the year.

As always, there are plenty of questions and few answers as yet. Still, compared to 97/98 we are at least mildly optimistic about the US corn export picture for next year, even though it will still be a far cry from the 2 bln bu-plus years of not so long ago.

7. ARGENTINE CROP UPDATE: Taylor Spies

Following our article on Friday, August 14, yesterday the Argentina Agriculture Secretariat cut wheat acreage even further. Agriculture officials in Argentina yesterday estimated total wheat seedings at 4.98 million hectares down from their previous estimate of 5.153 million hectares.

At the same time, the Agriculture Secretariat cut its most recent corn production estimate to 19.43 mmt down from 19.6 mmt in July. Even after this cut, the 97/98 corn crop still represents both record production and a record yield. This corn crop is also significant in that at a projected yield of 6.09 mt/hectares, it swamps last years yield of 4.56 mt/hectare which was also a record crop.

In contrast to its estimates of the corn and wheat crops, the Agriculture Secretariat raised its estimate of the 97/98 soybean crop to 18.53 mmt vs. 18.45 mmt in July. In raising its soybean crop the Agriculture Secretariat pointed to even higher than expected yields consistently throughout harvest.

WPI ANALYSIS: To say that this has been a spectacular year for Argentine agricultural production does little justice to this accomplishment. These crops dwarf the previous records. This year's soybean crop adds 48% to the previous 1995 record of 12.5 mmt. This years corn production estimate tacks an extra 25% onto last year's record crop of 15.54 mmt.

What is behind these huge increases in production? Yield. For instance if you look at this years production estimates for the Argentine corn crop compared to the projected yields, production will increase by 25% over last year's previous record but yield projections are up 33%.

While there was a 12% increase in planted acreage for soybeans, this does not begin to account for the 54% increase in production over last year and 48% increase over the record 1995 crop.

The question then becomes, how do we account for such an extraordinary growth in yields? Two major factors stand out in answer to this question.

First, the El Nino rains which were supposed to wreak havoc on the 97/98 corn and soybean crops, instead were of tremendous benefit to them. While there have been some reports of flooding in the Buenos Aires province, this scattered flooding was more than offset by the bonus production these rains produced throughout the rest of the country.

Secondly, Argentina agriculture is still developing. The use of hybrids and fertilizer has revolutionized agriculture production in Argentina. As farmers in this country continue to modernize their production methods, Argentina is going to continue to grow in significance as both a producer and a competitor in world export markets.

This not to say that every year is going to see record agricultural production in Argentina. Argentina was the benefactor of extremely beneficial rainfall this year in addition to the modernization of their production processes. Rather, it is to show that Argentina is not going to go away as a major competitor in world grain and oilseed export markets anytime soon.

POLITICS

8. ALL BETS ARE OFF: Gregg Doud and Gary Blumenthal

We're going to discuss the current situation involving the President and the highest levels of the US govt today in an effort to help our clients understand it from a US perspective and to get an ideas as to what the implications are for US agriculture.

In doing so, the first thing that must be clearly understood is that this situation actually has very little to do with any "improper relationship."
What does matter is the possibility that the President of the United States lied under oath. In the US, this is a very serious matter whether one is an ordinary citizen or the President.

It should also be explained that probably about one-half of the 535 members of Congress are lawyers themselves and they have taken an oath to uphold the laws of the United States. Our point is that regardless of their political loyalties, they take this oath very seriously and as elected members of Congress they also take their responsibilities to uphold the Constitution of the United States very seriously. If they do not, it reflects directly upon themselves and not their particular political persuasion.

Any lawyer who is a prosecutor in the US legal system is charged with aggressively pursuing and prosecuting anyone thought to be breaking the law, even though that person is always innocent until proven guilty. There is no gray area just as there is no gray area when a doctor tries to save a life.

For members of Congress, readily excusing the President for lying is unacceptable, as it would amplify the attitude of voters that all politicians lie. They must signal that veracity is still important in Washington or risk being broad brushed this Fall with Clinton's flaws.

While polling indicates that a majority of the public prefer that Clinton remain as President, that could change quickly if, as many suspect, the Independent Counsel's report to Congress is harshly revealing of contemptuous behavior. Moreover, there is a large segment (approx. 40 percent) that are strongly upset with the President and they are more likely to turn out and vote this November.

Congressional Impact

For most of the congressional session, mud slinging and partisanship has been the theme with little in the way of good public policy or laws being accomplished. This has left a lot of unfinished business for Congress on agriculture as well as several other key issues before the 105th Congress adjourns sometime in late September or early October.

Congress is only going to be in session about another 10 to 15 working days before it adjourns to campaign before the November 3rd election, now only 75 days away. It is quite apparent now that although the issues have not changed, the atmosphere on Capitol Hill has changed dramatically. Simply stated, no one really knows how to act in light of these latest developments and no one is interested in saying anything that might be used against them at a later date.

The only thing that seems fairly certain is that Congress is going to return only in an effort to get key issues resolved before adjourning as quickly as they possibly can. They will not stick around one minute more than is absolutely required. We're not suggesting a bipartisan mentality, but rather a strong need for self-preservation, particularly among House Democrats.

However, the issues remain the same: ag appropriations and research, an ag disaster assistance package, fast track, and IMF funding. There are also sanctions, campaign finance reform, tax, social security and health care issues on the agenda. However, a report from the independent council regarding the President could be given to Congress before they adjourn, which would further abbreviate the time available for working on substantive policy issues. Here's our read of the situation today:

Fast Track

The impact of this whole affair on fast track legislation is likely to be negative for the following reasons:

--The President's ability to influence undecided members of Congress toward supporting fast track has been diminished, and it wasn't very strong during last summer's near-vote.

--Members with any organized labor in their districts and fearful of a Monica backlash will not want to risk offending the one sure bet they have for financial and voter support this November.

--Some will conclude that fast track highlights the veracity problem in Washington since its opponents claim that the politicians promised great things the last time fast track was given and the results have revealed it to be just another ``Clinton" feint.

--With Clinton, and consequently Gore weakened by the debacle, year 2000 presidential contender Dick Gephardt (D-MO) will likely move up the timing of his attack plan on the Vice President and remove any short-term window for passing fast track in early 1999.

--Republicans will still push for fast track and House Speaker Newt Gingrich (R-GA) did say today that he thought fast track was important for the agricultural community and he announced that he will be participating in a farming town hall meeting tomorrow in Iowa. (Note: 17 of the 40 closest House races are in rural districts and recent polling suggests a strong anti-Clinton voter turnout.)

IMF Funding

As we alluded to earlier this week, the whole issue of additional US funding for the IMF could be under fire from all sides due to the mounting crisis in Russia.

As an example of current Republican thinking on IMF replenishment, Speaker Newt Gingrich said today that in the case of both Indonesia and Russia there has been substantial fraud with regard to IMF monies and that reform (including stamping out corruption) and not money is what is really needed. He said that in the case of Indonesia the IMF might have actually made matters worse.

Congressional Democrats and the President have been pushing their support for the IMF in ag circles as an alternative to Republican overtures regarding fast track. However, this was before the current situation in Russia emerged.

Early today, there were quotes from high level Russian govt officials saying that key Russian banks could be bankrupt within days. Later, one official clarified that this was his personal opinion and that he had no actual knowledge of any such action. Conversations we've had with officials in Latin America recently suggest that the Brazilian economy is actually due quite well these days as capital fleeing other parts of the world is, at least in some cases, landing in Brazil.

The public backlash toward President Clinton does not appear to be anywhere near over. As a result, Congressmen, regardless of their political party, have to be seen doing the right thing by their constituents as the election approaches. This is why we're seen some

Congressional Democrats recently making statements that were not supportive to the President.

Does this now mean that Congress will return with a new bipartisan lease on life or that it has no will to complete anything before the election? The answer to this question largely depends on the timing of the arrival of the Starr report to Congress on the President. Here are the options as we see them today.

1. Congress will table the entire issue until next year.

2. Congress will conclude there is nothing serious in the report--case closed.

3. There will be damaging evidence in the report and Congressional Democrats will call for the President's resignation to prevent further embarrassment.

4. There will be damaging evidence, and Congress will at least initiate impeachment proceedings. (Impeachment does not seem very likely even with a worst case scenario. We do not anticipate that Congress would even consider impeaching the President before the election. History suggests that if things get to this point, the President would resign.)

We've asked around and it appears that the most commonly held theory--if there is damaging evidence--is that Congressional Democrats will ask for the President's resignation. They have been badly burned by the

President's lack of openness on this issue and the mood, at least today, is quite hostile. The President has lost his influence over Congressional Democrats. Until the report, however, most politicians from both sides will be avoiding this issue.

WPI ANALYSIS: As for agriculture, this entire situation suggests more strongly than ever that Congress will opt for a continuing resolution on the budget (continuing to run the govt at funding levels based on last year's budget). Lastly, there will be one huge, gigantic omnibus bill at the end of the session that includes--fast track, IMF, tax stuff (like FARRM)--everything. Congress will then vote yes or no and go home. Today, all bets are off. We have absolutely no idea how the situation will turn out. All we can say is that the mood has changed dramatically this week.

Finally, as for health care, campaign finance reform and sanctions, it would appear that these issues have to wait until next year. Today's US attack of terrorist installations in Sudan and Afghanistan suggests that everything has been turned upside down on anything related to sanctions until everything surrounding the East African embassy bombings gets resolved.

9. CALENDAR: TOMORROW

August 21, 1998

FRIDAY

USDA/NASS Cheddar Cheese Prices Report

USDA/NASS Cold Storage Report

USDA/NASS Farm Labor Report

USDA/NASS Livestock Slaughter Report

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==================== ATTACHMENT 1 ====================
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TEXT:
Message Mail Header

Status: READ
Priority: FIRST CLASS (NORMAL)
Importance: NORMAL
Sensitivity: NORMAL

Delivery Receipt Requested

Creation Date: 20-Aug-1998 06:22:31.00 pm
Modification Date: 20-Aug-1998 06:22:31.00 pm
Submit Date: 20-Aug-1998 06:25:00.00 pm
Delivery Date: 20-Aug-1998 06:25:00.00 pm

From: Anita Chomsky (anitac@clark.net@INET@EOPMRX)
Subj: Ag Perspectives

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

===================== ATTACHMENT 2 =====================
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 with ESMTP id <01J0U425N5K0000ODC@PMDF.EOP.GOV> for heath_d@a1.eop.gov; Thu,
 20 Aug 1998 18:24:37 -0400 (EDT)
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 by STORM.EOP.GOV (PMDF V5.1-12 #29131)
 with ESMTP id <01J0U41CTAIO0004B0@STORM.EOP.GOV> for heath_d@a1.eop.gov; Thu,

 20 Aug 1998 18:23:59 -0400 (EDT)
Received: from shell.clark.net (anitac@clark.net [168.143.0.8])
 by postal.clark.net (8.9.1/8.9.1) with ESMTP id SAA23806; Thu,
 20 Aug 1998 18:24:06 -0400 (EDT)
Received: from localhost (anitac@localhost) by shell.clark.net (8.8.8/8.8.8)
 with SMTP id SAA25794; Thu, 20 Aug 1998 18:22:31 -0400 (EDT)
To: Undisclosed recipients:
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ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: streetsub-l-admin (streetsub-l-admin@tslist0.starwave.com@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:21-AUG-1998 21:57:00.00

SUBJECT: TheStreet.com's DAILY BULLETIN Weekend Edition

TO: Jake Siewert (Jake Siewert@eop [UNKNOWN])
READ:UNKNOWN

TEXT:

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TheStreet.com's DAILY BULLETIN

Weekend Edition

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In Today,s Bulletin:

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o Richard Medley: Tipping Point for Capitalism

o $10 Store: Netopia

o Friday Evening Update: Ciena Gains Ground in After-Hours Trading

o Monday's Numbers: Long Bond Yields Hit Record Lows on Global Jitters

o Kansas on ABC Radio, Greenberg on WSJ Report

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Major Indices for Friday:

* Dow Jones Industrial Average: 8553.65, down 77.76

For the week: up 108.65, or 1.3%

* S&P 500: 1081.18, down 10.42

For the week: up 18.43, or 1.7%

* Nasdaq Composite Index: 1797.67, down 34.84

For the week: up 7.46, or 0.4%

* Russell 2000: 395.64, down 6.09

For the week: down 7.15, or 1.8%

* 30-Year Treasury Bond: 100 27/32, 5.443%

Companies in Today's Bulletin:

* Netopia (NTPA:Nasdaq)
* Ciena (CIEN:Nasdaq)

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Also on TheStreet.com:

o Wrong! Dispatches from the Front: Shoulda Bought the Lilly

Cramer liked some of the action he saw in drugs and tech but is still just nibbling at financials.

http://www.thestreet.com/premium/Commentary/wrong/30572_8211998.html

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o Things Were Looking Up for Funds, Until Friday

A quick look at mutual funds and the TSC 10 in the week before

Friday morning.

http://www.thestreet.com/premium/Funds/fundwatchfeatures/30579_8211998.html

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o No Hope in Sight for Emerging Markets

Friday's trigger was Venezuela. Next week Brazil? There's a

panoply

of culprits to choose from.

http://www.thestreet.com/Markets/marketfeatures/30569_8211998.html

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o Ciena Didn't Want That AT&T Business Anyway

Ciena brushes off the worries that slashed 45% from its market

cap.

But it looks like the Tellabs deal is done.

http://www.thestreet.com/premium/Companies/topstories/30583_8211998.html

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Richard Medley: Tipping Point for Capitalism

By Richard Medley

Special to TheStreet.com

Last week we wrote that if you liked chaos and collapse, you would love a Russian devaluation. This week, we've got both. Brazil, Venezuela, Argentina, the Czech Republic -- all hitting new lows on the back of Russia's collapse. I call my office to ask what's up and they say, "Oh nothing ... you know, Russia's down 5% or so [Friday]." I shrug and hang up.

We are at an inflection point in the post-Cold War era. The driving forces since Communism's collapse have been free markets and a massive advantage for capital over labor. But the cascading crises in Asia, Central Europe and now Latin America threaten to reverse those forces and have already seriously undercut the notion that the U.S., the IMF or the G7 have anything to offer developing countries.

Instead of more belt-tightening and free-market rigor, Asian nations, led by Hong Kong -- not Malaysia -- and Russia are experimenting with ways to fight speculators and slow capital flows. There is open talk of setting up an Asiawide government-controlled "hedge fund" to fight back against speculators in the futures and currency forward markets. Hong Kong, Taiwan and Malaysia all set out to do that on their own this week and the result was significant losses for traders who were short the stock markets in those countries. That success will breed more attention around the developing world and will help direct the discussions about rewriting the world's financial architecture.

Russia is even more directly threatening to turn away from free markets. Along with the devaluation -- which came only after the U.S. and IMF had aggressively and forcefully rejected repeated phone-call pleas from Chubais, Gaidar and Dubinin for more aid last weekend -- the Russian government is "rescheduling" its outstanding short-term debt. Rescheduling is polite talk for default and the combined effect on foreign investors in Russia is brutal. Russian leaders were outraged by the American refusal to help and set about crafting a rescheduling plan that discriminated harshly against foreign capital in favor of domestic investors and domestic banks. The U.S. and IMF managed to pull the plug on that plan at the last second, but all that did was leave investors knowing they were about to be socked, but not knowing when, how or how hard.

In the meantime the nationalist backlash in Russia is gaining steam. The Duma filed articles of impeachment against Yeltsin Friday and the only reason Prime Minister Kiriyenko is still in office is because he agreed to bail out the oligarch's banks in return for saving his skin. We fully expect to see Russia adding new capital controls when the final debt-restructuring package is announced next week, and as the shock wave of this new crisis makes its way through the Russian system it could be enough to make the country turn away from the West one more time. Four times in the past 300 years Russia has embarked on a Westernization drive -- and each time it failed as reforms did not take hold and Westernizing leaders were chased out of office. The past is prologue.

As should be obvious from all of the above, the world's post-Cold War embrace of capitalism is coming under intense scrutiny. The good times and free money are over for half the globe, and now they have to decide whether pure free markets make sense or not. Sure, they make sense for America and Britain. Germany and France are a little less certain. Japan has never really trusted them. And now there is every developing country to think about. Do they take the huge volatility risks imbedded in real free markets? Are Asian and Central European governments willing to put up with capital flows that destroy confidence in the sovereignty of national governments?

I don't know. But I do know from talking to people in those regions that they're not exactly sure themselves that the tradeoffs are worth it anymore. And I do know that this is a crucial time when American leaders should be fanned out around the globe pitching in with these governments to help them put their societies and their economies back together again. We should be there with people, with money and with sympathy.

Instead, we sit in Washington or Edgartown and launch lectures, scolding and cruise missiles. We are not present in the way these regions need us to be. We are not doing what it takes to seal the victory of the Cold War and if these countries choose to turn against full free markets and fully articulated capitalism toward a yet undefined "third way," it will be this moment that sealed their choice.

The IMF is out of money and without a shred of authority. Instead of working with the Russian government through this crisis and rushing new tranches of money in to stabilize the decision-making process, IMF Managing Director Camdessus reportedly holds screaming matches with the Russian leaders, threatens to throw them out of the IMF and then dashes off a note referring to Russia as "fubar" (a World War II phrase meaning f***ed up beyond all recognition). The G7 is a hopeless squabble-fest in which the winners crow about their success and heap scorn on the losers (does anyone even remember that Russia is "officially" part of the G-7?). Meanwhile, the U.S., despite some real effort by Treasury officials, remains paralyzed by a presidential scandal and a general sense that events are beyond its control.

So, the shaky governments across the developing markets will have to forge their own way through this crisis. It is unlikely to result in capitalist orthodoxy, and we will look back at this moment as a massive missed opportunity. Whether we are sinking into a true global depression or not is impossible to tell. The precursors are there, but it takes massive policy mistakes on top of that to tank the world. What we are seeing this month are massive policy mistakes of omission. If they trigger a backlash from the developing world (as they did in 1928), we will be holding our breath to see if they become mistakes of commission next year.

That way we can end the millennium with a bang, not a whimper.

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York-based firm that provides political and economic advice to hedge funds and investment banks.

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$10 Store: Netopia

By Suzanne Galante
Staff Reporter

SAN FRANCISCO -- Here's a cheap backdoor way into the hot Internet portal companies: Netopia (NTPA:Nasdaq).

Netopia is benefiting from the success of the portals and online communities. The company shed its poorly performing Farallon Mac networking division earlier this month, which leaves it focused on building its Internet business. Netopia licenses its Virtual Office product, a no-assembly-required Web-site builder, to companies like Netscape (NSCP:Nasdaq) and GeoCities (GCTY:Nasdaq). It also gets a piece of the revenue generated from the monthly service fees.

In addition, the company is expected to benefit from Apple's (AAPL:Nasdaq) popular iMac.

"They sell the stuff companies use to slug it out," said one fund manager who is buying the stock, but who declined to be named. "I want to own a company that supplies to all of the companies. I don't care who wins the branding game. They are providing a component that people use to create content communities, and they are trading at a low multiple of revenue relative to peers, two times revenue."

Otherwise, however, Netopia is not a traditional value play. It loses money -- posting a $1.4 million loss in the nine months ended June 30 despite breaking even in the fiscal third quarter.

And some observers question the company's prospects.

"It is a difficult situation because they have an excellent management team, but they don't have a good product line," says Joseph Noel, an analyst at Hambrecht & Quist, which was a Netopia underwriter. The company is doing some things right, concentrating on product lines that others are blowing off, such as low-end routers and the Web-site builders. But those parts of the business aren't making any money, and Noel doubts that they will.

Another problem for Netopia is its limited following on Wall Street. "Who cares about these little small companies?" asks Noel. "I can give you a dozen that no one cares about. These are little names and [mutual funds] want liquidity."

Indeed, just three analysts officially follow Netopia. Noel at H&Q; Chris Stix at SG Cowen Securities (an underwriter), who rates the stock neutral; and Nikos Theodospoulos at Warburg Dillon Read, who rates the stock buy. Theodospoulos was recently at UBS Securities, which was also an underwriter.

Still, the company's revenue is growing, and it is moving into areas with higher margins. In the nine months ended June 30, Netopia reported revenue of $18.5 million, compared with $14.5 million in the same period a year ago. And revenue from its continuing business was $6.8 million in the three months ended June 30, 34% above the year-earlier period.

"The break-even point is $8 million [in revenue]," says Alan Lefkof, Netopia's president and chief executive. "And we have $42 million in cash."

According to First Call, analysts expect the company to earn 24 cents per share in the year ending Sept. 30, 1999, after losing 15 cents per share this fiscal year.

The stock has traded between 4 1/8 and 11 1/2 in the past 52 weeks. It closed Friday 8, down 1/8.

Lefkof says the company's Virtual Office is performing well. "This platform is only seven months old and is very well-received," he says.

Netopia announced a deal with GeoCities in January, with EarthLink (ELNK:Nasdaq) in April, with Netscape in June and with Big Planet, an Internet service provider, this month. Lefkof expects more deals, though he declined to disclose details.

Netopia also makes help-desk software called Timbuktu Pro, which made up about 50% of revenue in the most recent quarter. It's a package that allows users to share machines and control another machine from a remote location. Some users include Bear Stearns, KPMG, Kaiser Permanente, Dow Chemical and the Department of Defense. Each have at least 10,000 computers using the software, says James Clark, Netopia's chief financial officer.

The third part of the business is high-speed connectivity, which made up about 40% of the business in the most recent quarter. "These are products for mere mortals," says Clark. "The only thing we saw [on the market] were boxes to be configured by technicians, so we saw an opportunity to go to a market segment that was not occupied." These routers are sold to national and regional ISPs to be resold to their users.

This piece of the business is based on the need for high-speed access to the Internet and more user-friendly networking products. "The positive of this strategy is that it moves Netopia toward high-margin software business based on technology, which it has developed as Timbuktu," says Noel at H&Q. "The negative is that the strategy is unproven."

Indeed, Netopia itself is unproven, though if the company demonstrates that its products work and sell well, investors could be rewarded.

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FOR A TABLE SHOWING THE PERFORMANCE OF RECENT $10 STORE SELECTIONS, PLEASE GO TO THE FOLLOWING ADDRESS:

http://www.thestreet.com/premium/Companies/10store/30586_8211998.html

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Friday Evening Update: Ciena Gains Ground in After-Hours Trading

By Heather Moore

Staff Reporter

After plunging 45% during Friday's session, Ciena (CIEN:Nasdaq) was gaining a little lost ground and changing hands at 33 1/2, up from a close of 31 1/4, in after-hours trading. Fifteen minutes after the bell, the telecommunications equipment supplier said despite AT&T's (T:NYSE) decision not to test one of Ciena's products, it sees no change in its business outlook.

In other postclose news (earnings estimates from First Call):

Earnings reports and previews

Lear (LEA:NYSE) said its third-quarter earnings will be reduced by 21 cents per share because of this summer's parts strikes at General Motors (GM:NYSE). The 19-analyst forecast called for earnings of 55 cents vs. the year-earlier 53 cents.

Knight-Ridder (KRI:NYSE) said its July operating revenue rose 3.6% to $274.6 million.

RailWorks (RWKS:Nasdaq) posted second-quarter earnings of 16 cents per share, compared with the year-ago 7 cents.

Mergers, acquisitions and joint ventures

Medtronic (MDT:NYSE) said the Federal Trade Commission asked for more information on its planned $91 million merger with Avecor Cardiovascular (AVEC:Nasdaq).

R&B Falcon (FLC:NYSE) said its planned merger with Cliffs Drilling (CDG:NYSE) was approved by both companies. R&B will exchange 1.7 shares for each share of Cliffs.

Hearst-Argyle Television (HTV:NYSE) said it bought two TV stations in California from privately held Kelly Broadcasting for $520 million.

Bingham Financial Services (BFSC:Nasdaq) said it ended negotiations to acquire two unnamed companies for a total price of $71 million.

Offerings and stock actions

Haggar (HGGR:Nasdaq) approved a two million-share buyback plan.

Albemarle (ALB:NYSE) said its board authorized the purchase of as many as five million shares of its stock in a tender offer.

Eagle Geophysical (EGEO:Nasdaq) said it filed with regulators to offer 1.5 million shares owned by Seitel (SEI:NYSE).

Comings and goings

PDK Labs (PDKL:Nasdaq) said its CEO, president and chairman, Michael Krasnoff resigned. The company appointed Reginald Spinello, executive vice president, as a replacement.

Miscellany

Citicorp (CCI:NYSE) announced plans to lay off 50 of the 150 people in its corporate high-yield and high-grade corporate bond unit. The move comes as the company prepares to merge with Travelers (TRV:NYSE).

Tucson Electric Power, the electric utility owned by UniSource (UNS:NYSE), filed with regulators to divest its power-generating facilities as it faces newly deregulated electric markets.

OmniQuip (OMQP:Nasdaq) said it adopted a shareholder rights plan with a 20% trigger. The company didn't say whether the move was in response to any known takeover threats.

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Monday's Numbers: Long Bond Yields Hit Record Lows on Global Jitters

By Brian Louis

Staff Reporter

Nothing like a good global selloff in equities and emerging-market debt to make you feel good about owning Treasuries, huh?

In late trading, the benchmark 30-year bond was up 1 3/32 to 100 27/32, yielding 5.44%. That was well off its session highs but still showing a solid gain, with the yield ending below the 5.5% federal funds rate. The long bond's yield dropped as low as 5.38% at one point in the session, the lowest yield since the Treasury Department regularly began selling 30-year paper in 1977. The entire Treasury yield curve is under the fed funds rate.

It was "massive panic buying" of Treasuries Friday, said James L. Kochan, fixed-income strategist at Robert W. Baird.

With scores of worries in the financial markets around the globe Friday, investors sought the refuge of Treasuries against the global financial storm. In early New York action, thanks to selloffs in the foreign equity and emerging-debt markets, the long bond was up more than 20 ticks.

Much of Friday's bad financial market news -- at least for stocks and emerging-market debt -- came out of Russia and Venezuela.

News out of Russia Friday was grim. Taking a page from The Carpenters, Prime
Minister Sergei Kiriyenko told the lower house of parliament, the Duma, that the country's economic woes have only just begun. In addition, the Duma asked Russian President Boris Yeltsin to give up his post.

In addition to Russia, investors were skittish over the possibility that Venezuela would devalue its currency, something it did not do. But the Venezuelan central bank did announce it will allow its currency to float more freely within its trading band, a possible prelude to a devaluation.

For the most part Friday, Treasuries traded inversely to stocks. At one point during the session, the Dow Jones Industrial Average fell more than 280 points. Around that time, Treasuries hit their session highs. Also buoying Treasuries, commodity prices fell again Friday.

Treasuries, though sharply higher, gave up a lot of their gains [Friday] afternoon mainly because of a couple of factors, including a U.S. stock market which recovered a lot of its losses and market players taking profits. The Dow closed down only about 78 points.

Looking ahead, the market does not face any major economic reports on Monday and eyes will again focus on events -- if any -- from overseas.

Later next week, July existing home sales, durable goods orders and second-quarter preliminary gross domestic product data are slated to be released.

Many market participants, however, expect any fundamental news -- at least for the near term -- will be overshadowed by international events.
Surprise, surprise.

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FOR A TABLE SHOWING FRIDAY'S AND MONDAY'S KEY ECONOMIC NUMBERS, PLEASE GO TO THE FOLLOWING ADDRESS:

http://www.thestreet.com/Markets/keynumbers/30555_8211998.html

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Kansas on ABC Radio, Greenberg on WSJ Report

Editor-in-Chief Dave Kansas will discuss the markets on the nationally syndicated ABC Radio program "Perspectives" this weekend. New York's WABC AM 770 will broadcast the interview at 5 a.m. EDT Saturday. Members outside the New York area should check their local ABC Radio affiliate for airtimes.

Also, TSC daily columnist Herb Greenberg will appear on the syndicated The Wall Street Journal Report. Check your local listings for the time.

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