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SUBJECT: Early Report 10/1: KOSOVO , LOCAL FINANCIAL ISSUES

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

TEXT:
European media devoted widespread attention to the discovery in Kosovo of corpses of civilian ethnic Albanians widely believed to have been murdered by Serbian forces. Many commentators sharply criticized the alleged Serbian atrocities, and judged that this latest incident strongly increased the chances for NATO military intervention. The majority of editorials endorsed the imposition of a cease-fire, but opinions varied--from support for military action to leaving the solution to international courts--on how to effect that end. Britain's conservative Times urged, "To protect regional peace and security, an armed international presence in Kosovo is needed...to wrest the initiative from Mr. Milosevic." Further delay, the paper held, will be increasingly costly in terms of "refugees, NATO's lost credibility, and European disorder." Many writers cautioned that NATO air strikes were fraught with risk, leading to the inevitable deployment of ground forces. As one writer maintained, air strikes would have the "merit
of...proof of a certain political will to stop the Serbian steamroller. But the solution is not to be found in the bomb's noise and fury." The risk of escalation was cited by Belgium's independent De Standaard, which warned, "If one decides to resort to air strikes, one must also be ready to send ground troops." In Belgrade, the Serbian government's announcement that it had ceased military action in Kosovo evoked mixed reactions in the

Belgrade media on September 30. Not surprisingly, the non-regime media greeted the news skeptically, while pro-regime dailies hailed it without reservation. Looking down the road, a few pundits anticipated that the ultimate solution in the region, one that "opens up nightmare prospects for further fragmentation of the Balkans" is not simply autonomy, but full independence for Kosovo.

FED EMPHASIS ON 'AVOIDING GLOBAL DEFLATIONARY SPIRAL'

Foreign media analysts weighed in with a more positive assessment of the Sept. 29 rate cut by the Federal Reserve, seeing it as an effort to ease the global crisis. Pundits in Japan, South Korea, Australia, France and Sweden saw the Fed's move as a "shift in U.S. policy, toward putting more emphasis on avoiding a global deflationary spiral." The Australian Financial Review said the "Federal Reserve Board has signaled to the financial markets that it is ready to respond to the international economic crisis, even though the U.S. domestic conditions still argue against any cut in rates. In doing so, the Federal Reserve has bought itself and the IMF crucial time." London's conservative Daily Telegraph approved the Fed's "well judged caution" and judged that "a bigger cut...might have smacked of panic." Critics in France and Spain, however, said the small reduction had "accentuated doubts" about U.S. economic leadership and warned that if the Fed "gives the impression it is reacting to pressure from financial markets," that could "lead to increasing concern among investors." Analysts called for concerted action at G-7, IMF and World Bank meetings in Washington this weekend.

BRIEFS -- Middle East: Mixed Views On Prospects For Peace

-- Malaysia: 'Skullduggery Most Foul'

-- North Korea: 'Planetary Blackmail'

EDITORS: Kathleen J. Brahney, Katherine Starr, Bill Richey

THE 'ROAD OUT OF HELL' IN KOSOVO PAVED WITH RISKY CHOICES

SERBIA-MONTENEGRO: "Closed Eyes"

Belgrade's independent, centrist Danas had this to say (9/30): "Two days ago it was announced in the Serbian parliament: peace has arrived in Kosovo. [Regarding] the Milosevic's decision to withdraw Kosovo police units to their respective bases: Does it mean that he is really giving in following the UN's warning and the increasingly serious threats from NATO, or is this just his attempt to buy more time? It seems that Belgrade, precisely as before, is trying to evade capital punishment by making additional concessions, without correcting the fundamental policy which has put it in conflict with the whole world. The solution (for Kosovo) can be found only in a dialogue between the two parties (Serbian and Albanian). The Serbian platform for Kosovo, which was made official two days ago in the Serbian parliament, does not prove that Belgrade is really ready for this."

"A Move For Peace"

Belgrade's pro-regime Vecernje novosti, Political Editor Predrag Vitas had nothing but praise for the Serbian parliament's decision (9/30): "The unity of all the major political parties in parliament...shows flexibility

in comparison with the unity of Albanian political factors in their conviction that Serbia is their enemy number one. What the State of Serbia is now offering to them as its citizens--withdrawal of the police forces, transitional civilian management in which they would participate,
and, above all, a democratic political dialogue--should not be ignored like the previous fifteen offers of negotiations."

SLOVENIA: "Opportunity For International Community To Exert Influence"

Left-of-center, independent Vecer (10/1) opined: "In the next few days, Belgrade can be expected to become more yielding. Part of the military forces may even withdraw from Kosovo before the ultimatum expires.... Now, when Belgrade has to yield, the international community has an ideal opportunity to acquire actual influence on events in Kosovo, where international observers--as well as peacekeeping forces--must be deployed.... One can absolutely not rely on Milosevic's empty promises about the beginning of dialogue...for it has always turned out that this Serbian politician is willing to promise much, which is later rebutted by events. In years to come, security of Kosovar refugees at their homes can be guaranteed only by international military forces."

BRITAIN: "Road Out Of Hell"

The conservative Times contended (10/1): "Belgrade's reign of terror in Kosovo has been a risk clearly in the cards for close to a decade. No one can claim ignorance, or that this catastrophe was unanticipated....

Conditions for a ceasefire must be imposed, before it is too late to save the victims. Every day wasted raises the international costs of Kosovo. It is wishful thinking to believe that a political settlement is now possible without an international deployment on the ground. The longer this is delayed, the larger it will have to be and the longer it will have to stay. To protect regional peace and security, an armed international presence in Kosovo is needed.... Will Europe's politicians have the courage to wrest the initiative from Mr. Milosevic? Will America? Probably not. But they can be certain that they will pay the price, in refugees, in NATO's loss of credibility, and in European disorder, for every further week that, in the name of prudence, they waste."

"Not Too Late For West To Get Tough Over Kosovo"

The centrist Independent led with this editorial (10/1): "There has been a horrific sense of deja vu when viewing events in Kosovo this week. Yet again, as in Bosnia a few years ago, the

Serbs have massacred civilians. Yet again, correspondents stumble on the bodies of slaughtered men, women and children in the undergrowth. Equally familiar is the continued Western dithering, where tough words lead to little action.... Kosovo was a war that did not need to happen. If the West had sent clear signals at an earlier stage, Serbian brute force might well not have been used.... It is inconceivable that the Serbs will succeed in keeping a restive Kosovo under control indefinitely.... Albanian victories will present the West with an even bigger problem than Serb brutality. The Albanians are in no mood to be conciliatory. Almost

unanimously, they demand full independence for Kosovo, not just full autonomy. That, in turn, opens up nightmare prospects for yet further fragmentation of the Balkans..... [All] because Western politicians could not be bothered to intervene, when it could still have been useful. The story is depressing and shameful...And there is little sense that lessons have been learnt."

"Time For Force In Serbia"

The conservative tabloid Express expressed frustration over the situation in Kosovo (10/1): "It is astonishing that as we near the 21st century, butchery is alive and well in Europe. The massacre of Albanians in Kosovo by Serbs is the latest example of Serb President Milosevic's contempt for human decency. This is no faraway conflict but a crisis with profound implications for the rest of Europe. The time has long passed for words of condemnation. President Milosevic respects nothing but action."

GERMANY: "Bonn Government: Still Able To Act"

Thomas Urban noted in centrist Sueddeutsche Zeitung of Munich (10/1): "NATO is threatening (to intervene) and the Bonn government remains able to act even during the transitional time between governments..... [The red-green government] will have the chance to show that it is able to maintain continuity in Germany's foreign policy..... If push comes to shove, it is unlikely that the Bundestag will have a clear UN mandate for military intervention in Kosovo.... This development could result in the first test for the new coalition government."

ITALY: "Political Solution Not Feasible"

Rome's centrist Il Messaggero maintained (10/1): The international community is about to surrender in the face of evidence: a political solution of the crisis does not seem feasible. Milosevic has shown that he cannot keep [his] promises, and massacres in the area won't stop. Military intervention seems to be the only possible solution."

"The West's 'Unrealpolitik'"

Albero Pasolini Zanelli opined in leading rightist opposition Il Giornale (10/1): "There is only one solution to the Kosovo crisis.... It goes through international recognition of that people's full right to self-determination and... to independence. No Western government has expressed itself in those terms so far. With the Americans in the front line, we all preferred to talk of 'autonomy' in the framework of the Serbian-Yugoslavian state, A formula which,...while prompted by 'realpolitik,'...contains nothing real [or] realistic."

BELGIUM: "Solution Not Found in Bombs, But In International Courts"

In independent Le Soir, foreign editor Maroun Labaki concluded (10/1): "President Milosevic probably did not give the order to kill the women and the children! But did he order-- forcefully enough--not to do so? The Western officials' saber rattling certainly does not represent the appropriate answer to the tragedy and to the political crisis taking place

in Kosovo. Could the air strikes under preparation at NATO....be of any help? They would at least have the merit of existing, lethal proofs of a certain political will to stop the Serbian steamroller. But the solution

is not to be found in the bombs' noise and fury. Did Milosevic, his proteges and his henchmen flout the most basic human rights during the Yugoslav state's endless agony? On what scale? The responsibility to answer that question and perhaps to pass judgment on those who spilled the blood and insulted civilization rests with international courts."

"NATO'S Options"

Discussing the options open to NATO, independent Catholic De Standaard observed (10/1): "A military action must contribute to the implementation of a political agreement. For the time being, this does not seem feasible in Kosovo. This is why the question is posed of what can be achieved with military strikes. The risk of an escalation is consequently not excluded. He who advocates 'a' must also be ready to do 'b'. If one decides to resort to air strikes, one must also be ready to send ground troops. The former is quite without risk for NATO, but the risk of 'body bags' is much greater with the latter."

DENMARK: "Only Force Or Credible Threats Will Break Vicious Circle"

Center-left Politiken pointed out (10/1): "Milosevic's plan is becoming apparent. He hopes to reduce the UCK to a weak underground force that will only have the capacity to perform acts of terrorism.... NATO has a

problem. If air strikes are initiated, hundreds of foreign aid workers and observers could be taken hostage by Milosevic. Photographs of hostages chained to railings in Bosnia are still fresh in our memory.... The West has been pulled into a vicious circle which Milosevic has created. The experience of Bosnia showed that the only way to break this circle is by using force or presenting credible threats that it will be used. Meanwhile the temperature is falling in Kosovo's mountains where tens of thousands are living under the open sky."

KAZAKHSTAN: "U.S. Doesn't Need A UN Mandate"

Official TV Khabar Zhety Kun's weekly analytical program opined (9/27): "The United States interprets this resolution in its own way. It thinks that a UN mandate for police action in Kosovo is desirable but not essential. Anyway the United States will do anything it wants [anyway]."

FED EMPHASIS ON 'AVOIDING GLOBAL DEFLATIONARY SPIRAL'

JAPAN: "Duties for Japan, Other G-7 Nations Following U.S. Rate Cut"

Top-circulation, moderate Yomiuri's editorial stressed (10/1): "President Clinton promised to do his utmost to dispel concern about the American economy and overcome the crises afflicting the global economy. With the cut in the federal funds rate, the president fulfilled that promise. The fact that the U.S. and Canada have joined Japan in taking action will increase Japan's responsibilities.... The Group of 22...[is] scheduled to meet on Saturday in Washington, where meetings of the IMF and World Bank will also be held. An urgent task for all of these bodies is to discuss

concerted action."

"Rate Cut Signals Apparent Shift In U.S. Policy"

An editorial in the business-oriented Nihon Keizai observed (10/1): "The latest U.S. move showed an apparent shift in U.S. policy, toward putting more emphasis on avoiding a global deflationary spiral. It also indicated Washington's request that Japan and other G-7 nations take early, concerted action.... It will be difficult for Japan, which has already lowered interest rates to record lows, to further ease credit. What Japan is required to do, instead, is to clear the way for stabilizing the nation's financial system and resuscitating its economy."

"Reduce Negative Impact of International Monetary Transactions"

Liberal Asahi's editorial noted (10/1): "The Fed lowered a key short-term interest rate on Tuesday to buttress American economic growth amid signs of global economic slowdown. But the move is only a stopgap measure. What bothers us is that there are growing concerns that the world is no longer able to control its emerging economic crisis.... Reform of the IMF will likely be discussed at a series of international financial meetings to be held in Washington...this weekend. Another key subject of discussion...will be how efforts should be made to contain the 'violent movement' of 'international money' that snowballs and crosses national boundaries instantaneously."

SINGAPORE: "The G-7's Daunting Agenda"

According to the pro-government Business Times (10/1): "The U.S. Federal Reserve has taken the lead by cutting the Federal funds rate. The U.S. needs to make clear that it will act swiftly to do more, if necessary.... The G-7 and the Bretton Woods institutions must (also) collectively signal that they intend to remedy the flaws in the global system."

SOUTH KOREA: "U.S. Cuts Interest Rates Less Than Expected"

According to an editorial in independent Dong-A Ilbo (10/1): "The action comes across as a signal of U.S. determination that it will no longer ignore the economic crisis facing the world, though its primary goal seems to be the prevention of an economic recession in the United States. Unfortunately, the cut was small, probably too small to produce any real effect on the world.... A further cut seems to be required, and it would be much better for Washington to do so as fast as possible.... While the cut obviously fell short of our expectations, it will give us an opportunity to increase exports and to stabilize our foreign exchange market."

"U.S. Rate Cut And S. Korea's Reaction"

Independent Hankyoreh Shinmun told its readers (10/1): "While the U.S. rate cut is unlikely to have an enormous impact because of the meagerness of the cut, it does have significance because it signals that the United

States has finally begun to address the economic issue. Its psychological impact...will not be insignficant."

AUSTRALIA: "Soothing Cut From The Fed"

The ntional business-oriented Australian Financial Review (10/1) judged, "By cutting rates now, the Fed has signaled to the financial markets that it is ready to respond to the international financial crisis, even though domestic U.S. economic conditions still argue against any cut in rates. In doing so, the Federal Reserve has bought itself and the IMF crucial time.... In this calmer atmosphere, the G-7 finance ministers, the IMF and the World Bank have a better opportunity to massage confidence, by strengthening their commitments to the unsteadiest of the Latin American dominoes."

BRITAIN: "Follow The Fed"

The conservative Daily Telegraph observed (10/1): "The U.S. Federal Reserve has shown well-judged caution in cutting interest rates by a modest quarter point. The global markets were plainly hoping for a bigger cut to alleviate distress in Latin America, Eastern Europe and the Far East, but precipitous action at this stage might have smacked of panic.... It is testimony to the enormous prestige of Alan Greenspan that he had been able to convince the Fed to look beyond the United States and start paying attention to signs of a global credit crunch."

"Cold Comfort From The IMF"

The independent Financial Times judged in its lead editorial (10/1): "The chances of the emerging markets crisis triggering a sharp global downturn are still low. But they are too high for comfort. This weekend, therefore, the G-7 countries must work to ensure that their monetary stance is right for such turbulent times. The IMF is right to urge the United States and Europe to start easing interest rates to support growth and help restore calm. The Federal Reserve seems to agree... For the time being, containing the world financial crisis must rest largely with the Fed. But as the American economy slows, it will be Europe's responsibility to take over as the engine of world demand."

FRANCE: "Alan Greenspan: A Questionable Decision"

Pierre-Antoine Delhommais commented in left-of-center Le Monde (10/1): "European politicians will without a doubt salute Alan Greenspan's decision.... But is the decision economically justified and financially pertinent?.... In deciding to lower U.S. interest rates, while only two months ago it was talking about raising them, the Fed gives the impression it is reacting to pressure from financial markets. The decision, far from calming things down, could lead to increased concern among investors.... It is never good to react under pressure. Yet this is what Alan Greenspan's has chosen to do. He is putting in the balance his reputation as best central banker of the post-war era."

"Lost Confidence"

Gilles Bridier concluded in centrist La Tribune (10/1): "When Alan Greenspan failed to lower interest rates in mid-September, he was disappointing. Now that he has lowered them, he is still disappointing.... Last but not least, the IMF is now predicting that the world economy is 'nearing a recession.' If the intention is to describe things as they are, while earlier the truth was being hidden, this can have a terrible impact on the world economy. If the intention is simply to answer those who have been criticizing the IMF, it is even worse because it is irresponsible. In either case, there is a loss of confidence. The public, as well as those who rely on these indexes, are confused."

GERMANY: "No Panacea"

Centrist Maerkische Allgemeine Zeitung of Potsdam had this editorial view (10/1): "For the U.S. economy, the decision of the Fed to lower interest rate is favorable. And if the U.S. economy grows, Europe will profit, too. But a global race to lower interest rates would do little to stop the looming recession about which the IMF spoke yesterday. It would not give a boost to the economy but would heat up inflation."

SPAIN: "Markets Come Unhinged"

Barcelona's centrist La Vanguardia opined (10/1): "The Federal Reserve's first rate reduction in three years on Tuesday has not done much good..... The Fed did not take this step for domestic reasons.... What caused a

shudder on Wall Street was the LCTM [hedge fund] crisis in which the Fed intervened in order to organize a rescue effort. The fundamental reason behind the Fed's rate cut was to provide some relief to Asian and Latin American economies."

"The IMF Backtracks"

Independent El Mundo noted (10/1): "The Federal Reserve's decision to cut [the Federal funds rate] by 1/4-point has not only not restored confidence to international markets, but has actually accentuated doubts about United States' capability to take over the direction of the global economy.... Today, much more than a 1/4-point rate cut is required; the IMF needs to play an

active role in addressing the crisis by coordinating the policies of the most wealthy countries and by providing the leadership that Clinton appears unable to supply."

SWEDEN: "Greenspan's Signal?

Business Dagens Industri had this editorial (10/1): "By the recent decision the Fed assumed special responsibility. Greenspan has now put the American economy, which is very close to being overheated, in some danger.... For the first time during the latest financial crisis, Washington has in deeds given the signal that the business of the surrounding world also that of the United States."

BRIEFS

MIDDLE EAST: MIXED VIEWS ON PROSPECTS FOR PEACE

ISRAEL: "A Change in Washington's Attitude"

The independent Jerusalem Post's lead editorial maintained (10/1): "Though it may be tempting to credit the scandal swirling around Clinton with precipitating a breakthrough in the Mideast peace process, the more important factor is a change in Washington's attitude towards the parties. Until recently, the White House was convinced that Arafat backed their proposed deal, and that the problem was Netanyahu.... [Americans]now realize Netanyahu is willing to go forward with the planned redeployment, but is not willing to give something for nothing.... It is the Palestinians who once again seem determined not to be boxed into fulfilling their commitments to systematically combat terrorism, or to definitively amend the PLO Charter."

"What Progress?"

Nationalist Hatzofe judged in its lead editorial (10/1): "Objective scrutiny hardly indicates any movement--what with Arafat announcing his intention to establish an independent state and the continuation of Palestinian terror attacks.... So where is progress? We can see Clinton's angle, but not Netanyahu's."

EGYPT: "Israel Beats War Drums"

Columnist Mohamed Abul Hadid maintained in pro-government Al Gomhouriya (10/1): "Israel is pounding the war drums louder than ever.... It is speaking about Egypt's military power and an Iranian threat, blockading Syria and leaving the United States to liquidate Iraq's power. There is no immediate hope in changing Israeli policy, not from the inside or from the outside. There is no unified Arab position able to make the United States feel, practically, that its strategic interests in the region have become threatened because of Israeli policy."

"Relations With U.S."

Ibrahim Nafie, editor-in-chief of pro-government Al Ahram, argued (10/1): "It is our right and duty to maintain positive cooperation relations with the United States. It is not political wisdom to leave this international power for Israel to control. If Arabs feel desperate about the special relationship between Israel and the United States, they would be giving Israel a huge gift."

SAUDI ARABIA: "Compromise At The Expense Of Arabs"

Jeddah-based, conservative Al-Madina's editorial observed (10/1): "Washington's announcement that Palestinian National Authority President Arafat has accepted an Israeli withdrawal according to the formula 10 plus 3 does not meet...the legitimate rights (of the Palestinian nation.)...

"This compromise is made at the expense of Palestinians, Arabs and

Muslims."

"Aftermath Of Statlemate"

London-based, internationally circulated Al-Sharq Al-Awsat opined (10/1): "It is worth noting here that after 18 months of stalemate...that this time also flexibility comes from the Palestinian side.... It is also worth noting again that over the last 18 months Washington found no reason to exercise pressure on...Netanyahu's government to accept its project for withdrawal despite the personal efforts of...Secretary Albright and the frequent visits of special peace envoy Dennis Ross to the region."

TUNISIA: "Ten And Three?"

Editor-in-Chief Mohamed Ben Rejeb penned this editorial for independent Arabic-language As-Sabah (10/1): "Chairman Arafat agreed to the American 'ten and three' proposal because it is linked to Israel's withdrawal of military forces from the West Bank.... Yasser Arafat...is laying the groundwork for taking an even bigger step--The establishment of a Palestinian state.... It is incumbent upon the international community to support their position and oblige the Israeli government to move from its extreme Zionist stance."

BRITAIN: "Empty Gesture"

The liberal Guardian's editorial emphasized (10/1): "Anxious to show himself equal to the task of international leadership, President Clinton has turned his attention to that area of the world, the Middle East, where

his administration has had least success.... Whatever the faults of Camp David, it led to real change. Twenty years later, few believe that any agreement between Netanyahu's Israel and the PLO will do anything more than maintain the illusion that the peace process has become.... Israel's land deal is just a wheeze.... The essence of the situation is that Netanyahu has no intention of allowing the Palestinians anything more than the possibility of running a string of dependent territories subject to Israeli surveillance and ultimate control. And even to get this, Arafat has to pledge to act as Israel's policeman and prevent any and all attacks on Israelis."

BRAZIL: "Signs Of Peace"

Center-right O Globo had this view (9/30): "In the Mideast, one doesn't celebrate over promises of peace. The memory of frustrations over so many years allows neither Israelis nor Arabs to celebrate partial progress in the search for a peaceful coexistence.... Considering the degree of deterioration relations...had reached since Netanyahu came to power, this step denotes substantial progress."

MALAYSIA: 'SKULLDUGGERY MOST FOUL'

INDONESIA: "Skulduggery Most Foul"

The government-oriented Indonesian Observer judged (10/1): "The press in Thailand has also made it known...that it disapproves of the current tragi-comedy situation in Malaysia, and knowing the democratic stance of

the Philippines press, they will surely place themselves on the side of Anwar Ibrahim. The only country in ASEAN with any sympathy at all for Mahathir is the military regime in Burma, which continues to remain in favor of Mahathir-style skullduggery as a way of life."

PHILIPPINES: "Mahathir The Torturer"

Under the above headline, TV talk show host Ricardo Puno asserted in the third-leading Philippine Star (10/1): "Malaysia's current government should have the residual decency to remove itself from the company of modern, democratic states. It may have the skyscrapers, airports and expressways...but this country is now led by megalomaniac, paranoid hold-overs whose time is clearly running out. And Mahathir's agents are not even subtle about their savagery. Hasn't he learned from his contemporaries Marcos...and Soeharto?... Mahathir's agents were not only incompetent, they made it a point to profoundly humiliate a former deputy prime minister and finance minister [Anwar Ibrahim.]"

NORTH KOREA: 'PLANETARY BLACKMAIL'

FRANCE: "Planetary Blackmail"

Dominique Bromberger told listeners of government-funded France Inter radio

(10/1): "South Korea, Japan and the United States fear an explosion in one of the most totalitarian regimes on this planet: North Korea. While they continue to hope that the Pyongyang regime will change, they provide North Korea with non-harmful nuclear plants and ask for the closing of military nuclear sites.... The story of North Korea is one of planetary blackmail whereby the bad guys can get anything they want and pragmatic nations are forced to aid and abet a dictatorship."

SPAIN: "The Case Of North Korea"

Liberal El Pais judged (10/1): "It is alarming to contemplate the world's last bastion of Stalinism where militarism and absolute poverty co-exist with an incipient nuclear capability and sufficient technological know-how to build and launch medium-range missiles. This is the case of North Korea which recently celebrated its 50th anniversary with the proclamation of a dead man, Kim Il-Sung, as president for eternity and the confirmation of his son, Kim Jong-Il...as the supreme leader of 24 million starving people.... [North Korea's] launch on August 31st shows that it is capable of firing its missiles not just at Seoul, but at all of northeast Asia. This is a country not to be ignored."

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#Xn\ P6Qy&P#Thursday, October 1, 1998

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IMF crucial time." London's conservative Daily Telegra
ph approved the

Fed's "well judged caution" and judged that "a bigger cut...mig
ht have
smacked of panic." Critics in France and Spain, however, said the smal
l
reduction had "accentuated doubts" about U.S. economic leadership and
warned
that if the Fed "gives the impression it is reacting to pressure
from financial
markets," that could "lead to increasing concern among
investors." Analysts c
alled for concerted action at G7, IMF and World
Bank meetings in Washington thi
s weekend.

X` hp x BRIEFS Middle East: Mixed Views On Prospects For Peace
Malaysia: 'Skullduggery Most Foul'
North Korea: 'Planetary Blackmail'

EDITORS: Kathleen J. Brahney, Katherine Starr, Bill Richey

THE 'ROAD OUT OF HELL' IN KOSOVO PAVED WITH RISKY CHOICES

X` hp x

SERBIAMONTENEGRO: "Closed Eyes"

Belgrade's independent, centrist Danas had this to say (9/30): "Two days
ago
it was announced in the Serbian parliament: peace has arrived in
Kosovo. [Rega
rding] the Milosevic's decision to withdraw Kosovo police
units to their respec
tive bases: Does it mean that he is really giving in
following the UN's warnin
g and the increasingly serious threats from NATO,
or is this just his attempt t
o buy more time? It seems that Belgrade,
precisely as before, is trying to eva
de capital punishment by making
additional concessions, without correcting the
fundamental policy which has
put it in conflict with the whole world. The solu
tion (for Kosovo) can be
found only in a dialogue between the two parties (Ser
bian and Albanian).
The Serbian platform for Kosovo, which was made official
two days ago in
the Serbian parliament, does not prove that Belgrade is really
ready for
this."

"A Move For Peace"

Belgrade's proregime Vecernje novosti, Political Editor Predrag Vitas had
noth
ing but praise for the Serbian parliament's decision (9/30): "The
unity of all
the major political parties in parliament...shows flexibility

in comparison wi
th the unity of Albanian political factors in their
conviction that Serbia is
their enemy number one. What the State of
Serbia is now offering to them as
its citizenswithdrawal of the police
forces, transitional civilian management
in which they would participate,
and, above all, a democratic political dialo
gueshould not be ignored
like the previous fifteen offers of negotiations."

SLOVENIA: "Opportunity For International Community To Exert Influence"

Leftofcenter, independent Vecer (10/1) opined: "In the next few days,
Belgrad
e can be expected to become more yielding. Part of the military
forces may eve
n withdraw from Kosovo before the ultimatum expires.... Now,
when Belgrade has
to yield, the international community has an ideal
opportunity to acquire actu
al influence on events in Kosovo, where
international observersas well as peace
keeping forcesmust be
deployed.... One can absolutely not rely on Milosevic's
empty promises
about the beginning of dialogue...for it has always turned out t
hat this
Serbian politician is willing to promise much, which is later rebutted
by
events. In years to come, security of Kosovar refugees at their homes can
b
e guaranteed only by international military forces."

BRITAIN: "Road Out Of Hell"

The conservative Times contended (10/1): "Belgrade's reign of terror in
Kosov
o has been a risk clearly in the cards for close to a decade. No one
can claim
ignorance, or that this catastrophe was unanticipated....
Conditions for a ce
asefire must be imposed, before it is too late to save
the victims. Every day
wasted raises the international costs of Kosovo.
It is wishful thinking to bel
ieve that a political settlement is now
possible without an international deplo
yment on the ground. The longer
this is delayed, the larger it will have to be
and the longer it will have
to stay. To protect regional peace and security,
an armed international

presence in Kosovo is needed.... Will Europe's politici
ans have the
courage to wrest the initiative from Mr. Milosevic? Will America?

Probably not. But they can be certain that they will pay the price, in
refug
ees, in NATO's loss of credibility, and in European disorder, for
every further
week that, in the name of prudence, they waste."

"Not Too Late For West To Get Tough Over Kosovo"

The centrist Independent led with this editorial (10/1): "There has been a
ho
rrific sense of deja vu when viewing events in Kosovo this week. Yet
again, as
in Bosnia a few years ago, the

Serbs have massacred civilians. Yet again, correspondents stumble on the
bodie
s of slaughtered men, women and children in the undergrowth. Equally
familiar
is the continued Western dithering, where tough words lead to
little action....
Kosovo was a war that did not need to happen. If the
West had sent clear sig
nals at an earlier stage, Serbian brute force might
well not have been used....
It is inconceivable that the Serbs will
succeed in keeping a restive Kosovo u
nder control indefinitely....
Albanian victories will present the West with an
even bigger problem than
Serb brutality. The Albanians are in no mood to be c
onciliatory. Almost
unanimously, they demand full independence for Kosovo, not
just full
autonomy. That, in turn, opens up nightmare prospects for yet furth
er
fragmentation of the Balkans..... [All] because Western politicians could
n
ot be bothered to intervene, when it could still have been useful. The
story i
s depressing and shameful...And there is little sense that lessons
have been le
arnt."

"Time For Force In Serbia"

The conservative tabloid Express expressed frustration over the situation
in K
osovo (10/1): "It is astonishing that as we near the 21st century,
butchery is
alive and well in Europe. The massacre of Albanians in Kosovo

by Serbs is the
latest example of Serb President Milosevic's contempt for
human decency. This
is no faraway conflict but a crisis with profound
implications for the rest of
Europe. The time has long passed for words of
condemnation. President Milose
vic respects nothing but action."

GERMANY: "Bonn Government: Still Able To Act"

Thomas Urban noted in centrist Sueddeutsche Zeitung of Munich (10/1):
"NATO is
threatening (to intervene) and the Bonn government remains able to
act even du
ring the transitional time between governments..... [The
redgreen government]
will have the chance to show that it is able to
maintain continuity in Germany'
s foreign policy..... If push comes to
shove, it is unlikely that the Bundesta
g will have a clear UN mandate for
military intervention in Kosovo.... This de
velopment could result in the
first test for the new coalition government."

ITALY: "Political Solution Not Feasible"

Rome's centrist Il Messaggero maintained (10/1): The international
community
is about to surrender in the face of evidence: a political
solution of the cris
is does not seem feasible. Milosevic has shown that he
cannot keep [his] promi
ses, and massacres in the area won't stop. Military
intervention seems to be t
he only possible solution."

"The West's 'Unrealpolitik'"

Albero Pasolini Zanelli opined in leading rightist opposition Il Giornale
(10/
1): "There is only one solution to the Kosovo crisis.... It goes
through inte
rnational recognition of that people's full right to
selfdetermination and... t
o independence. No Western government has
expressed itself in those terms so f
ar. With the Americans in the front
line, we all preferred to talk of 'autonom
y' in the framework of the
SerbianYugoslavian state, A formula which,...while
prompted by
'realpolitik,'...contains nothing real [or] realistic."

BELGIUM: "Solution Not Found in Bombs, But In International Courts"
X` hp x
In independent Le Soir, foreign editor Maroun Labaki concluded (10/1):
"Presi
dent Milosevic probably did not give the order to kill the women and
the childr
en! But did he order forcefully enoughnot to do so? The
Western officials' sa
ber rattling certainly does not represent the
appropriate answer to the tragedy
and to the political crisis taking place
in Kosovo. Could the air strikes und
er preparation at NATO....be of any
help? They would at least have the merit o
f existing, lethal proofs of a
certain political will to stop the Serbian steam
roller. But the solution

is not to be found in the bombs' noise and fury. Did Milosevic, his
proteges a
nd his henchmen flout the most basic human rights during the
Yugoslav state's e
ndless agony? On what scale? The responsibility to
answer that question and p
erhaps to pass judgment on those who spilled the
blood and insulted civilizatio
n rests with international courts."
X` hp x
"NATO'S Options"

Discussing the options open to NATO, independent Catholic De Standaard
observe
d (10/1): "A military action must contribute to the implementation
of a politi
cal agreement. For the time being, this does not seem feasible
in Kosovo. Thi
s is why the question is posed of what can be achieved with
military strikes.
The risk of an escalation is consequently not excluded.
He who advocates 'a' m
ust also be ready to do 'b'. If one decides to
resort to air strikes, one must
also be ready to send ground troops. The
former is quite without risk for NAT
O, but the risk of 'body bags' is much
greater with the latter."

DENMARK: "Only Force Or Credible Threats Will Break Vicious Circle"

Centerleft Politiken pointed out (10/1): "Milosevic's plan is becoming
appare
nt. He hopes to reduce the UCK to a weak underground force that will
only have

the capacity to perform acts of terrorism.... NATO has a problem. If air strikes are initiated, hundreds of foreign aid workers and observers could be taken hostage by Milosevic. Photographs of hostages chained to railings in Bosnia are still fresh in our memory.... The West has been pulled into a vicious circle which Milosevic has created. The experience of Bosnia showed that the only way to break this circle is by using force or presenting credible threats that it will be used. Meanwhile the temperature is falling in Kosovo's mountains where tens of thousands are living under the open sky."

KAZAKHSTAN: "U.S. Doesn't Need A UN Mandate"

Official TV Khabar Zhety Kun's weekly analytical program opined (9/27): "The United States interprets this resolution in its own way. It thinks that a UN mandate for police action in Kosovo is desirable but not essential. Anyway the United States will do anything it wants [anyway]."

FED EMPHASIS ON 'AVOIDING GLOBAL DEFLATIONARY SPIRAL'

X` hp x

X` hp x JAPAN: "Duties for Japan, Other G7 Nations Following U.S. Rate Cut"

Topcirculation, moderate Yomiuri's editorial stressed (10/1): "President Clinton promised to do his utmost to dispel concern about the American economy and overcome the crises afflicting the global economy. With the cut in the federal funds rate, the president fulfilled that promise. The fact that the U.S. and Canada have joined Japan in taking action will increase Japan's responsibilities.... The Group of 22...[is] scheduled to meet on Saturday in Washington, where meetings of the IMF and World Bank will also be held. An urgent task for all of these bodies is to discuss concerted action."

"Rate Cut Signals Apparent Shift In U.S. Policy"

An editorial in the businessoriented Nihon Keizai observed (10/1): "The latest U.S. move showed an apparent shift in U.S. policy, toward putting more emphasi

s on avoiding a global deflationary spiral. It also indicated Washington's req
uest that Japan and other G7 nations take early, concerted action.... It will
be difficult for Japan, which has already lowered interest rates to record low
s, to further ease credit. What Japan is required to do, instead, is to clear
the way for stabilizing the nation's financial system and resuscitating its eco
nomy."

"Reduce Negative Impact of International Monetary Transactions"

Liberal Asahi's editorial noted (10/1): "The Fed lowered a key shortterm inte
rest rate on Tuesday to buttress American economic growth amid signs of global
economic slowdown. But the move is only a stopgap measure. What bothers us i
s that there are growing concerns that the world is no longer able to control i
ts emerging economic crisis.... Reform of the IMF will likely be discussed at
a series of international financial meetings to be held in Washington...this
weekend. Another key subject of discussion...will be how efforts should be mad
e to contain the 'violent movement' of 'international money' that snowballs an
d crosses national boundaries instantaneously."

SINGAPORE: "The G7's Daunting Agenda"
X` hp x
According to the progovernment Business Times (10/1): "The U.S. Federal Reserv
e has taken the lead by cutting the Federal funds rate. The U.S. needs to make
clear that it will act swiftly to do more, if necessary.... The G7 and the Br
etton Woods institutions must (also) collectively signal that they intend to re
medy the flaws in the global system."
X` hp x
SOUTH KOREA: "U.S. Cuts Interest Rates Less Than Expected"

According to an editorial in independent DongA Ilbo (10/1): "The action comes
across as a signal of U.S. determination that it will no longer ignore the eco
nomic crisis facing the world, though its primary goal seems

to be the preventi
on of an economic recession in the United States.
Unfortunately, the cut was
small, probably too small to produce any real
effect on the world.... A furthe
r cut seems to be required, and it would
be much better for Washington to do so
as fast as possible.... While the
cut obviously fell short of our expectation
s, it will give us an
opportunity to increase exports and to stabilize our for
eign exchange
market."

"U.S. Rate Cut And S. Korea's Reaction"

Independent Hankyoreh Shinmun told its readers (10/1): "While the U.S.
rate c
ut is unlikely to have an enormous impact because of the meagerness
of the cut,
it does have significance because it signals that the United
States has final
ly begun to address the economic issue. Its psychological
impact...will not be
insignficant."

AUSTRALIA: "Soothing Cut From The Fed"

The ntional businessoriented Australian Financial Review (10/1) judged,
"By c
utting rates now, the Fed has signaled to the financial markets that
it is rea
dy to respond to the international financial crisis, even though
domestic U.S.
economic conditions still argue against any cut in rates. In
doing so, the Fed
eral Reserve has bought itself and the IMF crucial
time.... In this calmer atm
osphere, the G7 finance ministers, the IMF
and the World Bank have a better op
portunity to massage confidence, by
strengthening their commitments to the unst
eadiest of the Latin American
dominoes."

BRITAIN: "Follow The Fed"

The conservative Daily Telegraph observed (10/1): "The U.S. Federal
Reserve h
as shown welljudged caution in cutting interest rates by a modest
quarter point
. The global markets were plainly hoping for a bigger cut to
alleviate distres
s in Latin America, Eastern Europe and the Far East, but

precipitous action at
this stage might have smacked of panic.... It is
testimony to the enormous pre
stige of Alan Greenspan that he had been able
to convince the Fed to look beyon
d the United States and start paying
attention to signs of a global credit crun
ch."

"Cold Comfort From The IMF"

The independent Financial Times judged in its lead editorial (10/1): "The
cha
nces of the emerging markets crisis triggering a sharp global downturn
are stil
l low. But they are too high for comfort. This weekend,
therefore, the G7 cou
ntries must work to ensure that their monetary stance
is right for such turbule
nt times. The IMF is right to urge the United
States and Europe to start easin
g interest rates to support growth and help
restore calm. The Federal Reserve
seems to agree... For the time being,
containing the world financial crisis mu
st rest largely with the Fed. But
as the American economy slows, it will be Eu
rope's responsibility to take
over as the engine of world demand."

FRANCE: "Alan Greenspan: A Questionable Decision"

PierreAntoine Delhommais commented in leftofcenter Le Monde (10/1):
"European
politicians will without a doubt salute Alan Greenspan's
decision.... But is
the decision economically justified and financially
pertinent?.... In decidi
ng to lower U.S. interest rates, while only two
months ago it was talking abou
t raising them, the Fed gives the impression
it is reacting to pressure from fi
nancial markets. The decision, far from
calming things down, could lead to incr
eased concern among investors....
It is never good to react under pressure. Y
et this is what Alan
Greenspan's has chosen to do. He is putting in the balanc
e his reputation
as best central banker of the postwar era."

"Lost Confidence"

Gilles Bridier concluded in centrist La Tribune (10/1): "When Alan Greenspan f
ailed to lower interest rates in midSeptember, he was disappointing. Now that
he has lowered them, he is still disappointing.... Last but not least, the IM
F is now predicting that the world economy is 'nearing a recession.' If the in
tention is to describe things as they are, while earlier the truth was being h
idden, this can have a terrible impact on the world economy. If the intention
is simply to answer those who have been criticizing the IMF, it is even worse
because it is irresponsible. In either case, there is a loss of confidence.
The public, as well as those who rely on these indexes, are confused."

GERMANY: "No Panacea"

Centrist Maerkische Allgemeine Zeitung of Potsdam had this editorial view (10/
1): "For the U.S. economy, the decision of the Fed to lower interest rate is f
avorable. And if the U.S. economy grows, Europe will profit, too. But a globa
l race to lower interest rates would do little to stop the looming recession ab
out which the IMF spoke yesterday. It would not give a boost to the economy bu
t would heat up inflation."

SPAIN: "Markets Come Unhinged"

Barcelona's centrist La Vanguardia opined (10/1): "The Federal Reserve's firs
t rate reduction in three years on Tuesday has not done much good..... The Fed
did not take this step for domestic reasons.... What caused a shudder on Wall
Street was the LCTM [hedge fund] crisis in which the Fed intervened in order
to organize a rescue effort. The fundamental reason behind the Fed's rate cut
was to provide some relief to Asian and Latin American economies."

"The IMF Backtracks"

Independent El Mundo noted (10/1): "The Federal Reserve's decision to cut [t
he Federal funds rate] by 1/4point has not only not restored confidence

to inte
rnational markets, but has actually accentuated doubts about United States' cap
ability to take over the direction of the global economy.... Today, much more
than a 1/4point rate cut is required; the IMF needs to play an

active role in addressing the crisis by coordinating the policies of the most w
ealthy countries and by providing the leadership that Clinton appears unable to
supply."

SWEDEN: "Greenspan's Signal?

Business Dagens Industri had this editorial (10/1): "By the recent decision t
he Fed assumed special responsibility. Greenspan has now put the American econ
omy, which is very close to being overheated, in some danger.... For the first
time during the latest financial crisis, Washington has in deeds given the sig
nal that the business of the surrounding world also that of the United States."

X` hp x
BRIEFS

MIDDLE EAST: MIXED VIEWS ON PROSPECTS FOR PEACE

ISRAEL: "A Change in Washington's Attitude"
X` hp x
The independent Jerusalem Post's lead editorial maintained (10/1): "Though it m
ay be tempting to credit the scandal swirling around Clinton with precipitating
a breakthrough in the Mideast peace process, the more important factor is a ch
ange in Washington's attitude towards the parties. Until recently, the White Ho
use was convinced that Arafat backed their proposed deal, and that the problem
was Netanyahu.... [Americans]now realize Netanyahu is willing to go forward wi
th the planned redeployment, but is not willing to give something for nothing..
.. It is the Palestinians who once again seem determined not to be boxed into fulfilling
their commitments to systematically combat terrorism, or to definiti vely
amend the PLO Charter."

"What Progress?"

Nationalist Hatzofe judged in its lead editorial (10/1): "Objective scrutiny h
ardly indicates any movementwhat with Arafat announcing his intention to establ
ish an independent state and the continuation of Palestinian terror attacks....
So where is progress? We can see Clinton's angle, but not Netanyahu's."

EGYPT: "Israel Beats War Drums"

X` hp x

X` hp x Columnist Mohamed Abul Hadid maintained in progovernment Al Gomhouriya (10/1): "Israel is pounding the war drums louder than ever.... It is speaking
about Egypt's military power and an Iranian threat, blockading Syria and leavi
ng the United States to liquidate Iraq's power. There is no immediate hope in
changing Israeli policy, not from the inside or from the outside. There is no
unified Arab position able to make the United States feel, practically, that i
ts strategic interests in the region have become threatened because of Israeli
policy."

"Relations With U.S."

Ibrahim Nafie, editorinchief of progovernment Al Ahram, argued (10/1): "It is
our right and duty to maintain positive cooperation relations with the United S
tates. It is not political wisdom to leave this international power for Israel
to control. If Arabs feel desperate about the special relationship between Is
rael and the United States, they would be giving Israel a huge gift."

X` hp x

SAUDI ARABIA: "Compromise At The Expense Of Arabs"

Jeddahbased, conservative AlMadina's editorial observed (10/1): "Washington's
announcement that Palestinian National Authority President Arafat has accepted
an Israeli withdrawal according to the formula 10 plus 3 does not meet...the l
egitimate rights (of the Palestinian nation.)...

"This compromise is made at the expense of Palestinians, Arabs and

Muslims."

X` hp x
"Aftermath Of Statlemate"

Londonbased, internationally circulated AlSharq AlAwsat opined (10/1): "It is
worth noting here that after 18 months of stalemate...that this time also flexi
bility comes from the Palestinian side.... It is also worth noting again that
over the last 18 months Washington found no reason to exercise pressure on...Ne
tanyahu's government to accept its project for withdrawal despite the personal
efforts of...Secretary Albright and the frequent visits of special peace envoy
Dennis Ross to the region."

TUNISIA: "Ten And Three?"

EditorinChief Mohamed Ben Rejeb penned this editorial for independent Arabiclan
guage AsSabah (10/1): "Chairman Arafat agreed to the American 'ten and three'
proposal because it is linked to Israel's withdrawal of military forces from th
e West Bank.... Yasser Arafat...is laying the groundwork for taking an even bi
gger stepThe establishment of a Palestinian state.... It is incumbent upon the
international community to support their position and oblige the Israeli gover
nment to move from its extreme Zionist stance."
X` hp x
X` hp x BRITAIN: "Empty Gesture"

The liberal Guardian's editorial emphasized (10/1): "Anxious to show himself e
qual to the task of international leadership, President Clinton has turned his
attention to that area of the world, the Middle East, where his administration
has had least success.... Whatever the faults of Camp David, it led to real ch
ange. Twenty years later, few believe that any agreement between Netanyahu's I
srael and the PLO will do anything more than maintain the illusion that the pea
ce process has become.... Israel's land deal is just a wheeze.... The essence
of the situation is that Netanyahu has no intention of allowing the Palestinia

ns anything more than the
possibility of running a string of dependent territor
ies subject to Israeli
surveillance and ultimate control. And even to get this
, Arafat has to
pledge to act as Israel's policeman and prevent any and all att
acks on
Israelis."

X` hp x BRAZIL: "Signs Of Peace"

X` hp x Centerright O Globo had this view (9/30): "In the Mideast, one doesn'
t
celebrate over promises of peace. The memory of frustrations over so many
y
ears allows neither Israelis nor Arabs to celebrate partial progress in
the se
arch for a peaceful coexistence.... Considering the degree of
deterioration r
elations...had reached since Netanyahu came to power, this
step denotes substa
ntial progress."

X` hp x MALAYSIA: 'SKULLDUGGERY MOST FOUL'

INDONESIA: "Skulduggery Most Foul"
X` hp x
The governmentoriented Indonesian Observer judged (10/1): "The press in
Thaila
nd has also made it known...that it disapproves of the current
tragicomedy sit
uation in Malaysia, and knowing the democratic stance of
the Philippines press
, they will surely place themselves on the side of
Anwar Ibrahim. The only cou
ntry in ASEAN with any sympathy at all for
Mahathir is the military regime in B
urma, which continues to remain in
favor of Mahathirstyle skullduggery as a way
of life."

PHILIPPINES: "Mahathir The Torturer"

Under the above headline, TV talk show host Ricardo Puno asserted in the
thirdl
eading Philippine Star (10/1): "Malaysia's current government
should have the
residual decency to remove itself from the company of
modern, democratic states
. It may have the skyscrapers, airports and

expressways...but this country is
now led by megalomaniac, paranoid
holdovers whose time is clearly running out.
And Mahathir's agents are
not even subtle about their savagery. Hasn't he le
arned from his
contemporaries Marcos...and Soeharto?... Mahathir's agents were
not only
incompetent, they made it a point to profoundly humiliate a former de
puty
prime minister and finance minister [Anwar Ibrahim.]"

X` hp x NORTH KOREA: 'PLANETARY BLACKMAIL'

FRANCE: "Planetary Blackmail"

Dominique Bromberger told listeners of governmentfunded France Inter radio
(10/
1): "South Korea, Japan and the United States fear an explosion in
one of th
e most totalitarian regimes on this planet: North Korea. While
they continue t
o hope that the Pyongyang regime will change, they provide
North Korea with no
nharmful nuclear plants and ask for the closing of
military nuclear sites....
The story of North Korea is one of planetary
blackmail whereby the bad guys can
get anything they want and pragmatic
nations are forced to aid and abet a dict
atorship."

SPAIN: "The Case Of North Korea"
X` hp x
Liberal El Pais judged (10/1): "It is alarming to contemplate the world's
last
bastion of Stalinism where militarism and absolute poverty coexist
with an inc
ipient nuclear capability and sufficient technological knowhow
to build and lau
nch mediumrange missiles. This is the case of North Korea
which recently celeb
rated its 50th anniversary with the proclamation of a
dead man, Kim IlSung, as
president for eternity and the confirmation of
his son, Kim JongIl...as the su
preme leader of 24 million starving
people.... [North Korea's] launch on Augu
st 31st shows that it is capable
of firing its missiles not just at Seoul, but
at all of northeast Asia.
This is a country not to be ignored."

###Xx\ P6QyXP#

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

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Jake Siewert (Jake Siewert@EOP@LNGTWY@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 2-OCT-1998 14:29:00.00

SUBJECT: In Case You Missed This

TO: Malcolm R. Lee (Malcolm R. Lee@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
Message Creation Date was at 2-OCT-1998 14:29:00

ABC GOOD MORNING AMERICA

Aired on OCTOBER 2, 1998

SPEAKERS: DAN TARULLO, FORMER ASSISTANT TO PRESIDENT CLINTON
FOR INTERNATIONAL ECONOMIC POLICY

KEVIN NEWMAN, ABC

NEWMAN: Well, the world's major finance ministers and central bankers hold their annual meeting in Washington this weekend. Got to say -- the agenda is dismal. Japan is suffering its worst downturn since World War II. Russia's economy in disarray. Latin America appears to be next on the diving board. And all this, of course, has hit home this week, as we heard, with two straight days of 200-point losses in the Dow.

But are things really as bad as they look? Well, joining us now from Washington, is Daniel Tarullo, who was, until earlier this year, President

Clinton's assistant for international economic policy. He is now a senior fellow at the Council on Foreign Relations.

Good morning, Mr. Tarullo.

TARULLO: Good morning, Kevin. How are you?

NEWMAN: I'm very well, thank you. Well, tell us, the IMF yesterday was suggesting that the possibility of a global recession is increasing rather quickly. How soon before that happens, do you think, if it's going to happen?

And secondly, is it going to pull us into the vortex?

TARULLO: Well, there's certainly going to be slower growth in the world this year and next year than there has been in the last decade. Whether we have a full-blown global recession remains to be seen. I think, though, the problem for most Americans is that they've gotten used to the stock market going up and down quite a bit on a day-to-day basis in the last year -- 100 points here, 200 points there. So it's easy for them to disregard those movements. And even the last couple days still have only taken the Dow to about where it was in the last part of last year.

But there is a real danger here. If the financial crisis spreads to Latin America, the impact on the United States and on the rest of the world will

really be quite significant.

NEWMAN: And the fire wall there, I understand, is Brazil. And one of the things these finance ministers may be talking about is some $30 billion in aid to try to prop up that currency in Brazil?

TARULLO: Well, that's right. As of right now, Latin American currencies, with a couple of small country exceptions, have held pretty firm. The crisis has been in Asia, and as you mentioned, in Russia. If it spreads to Brazil -- and Brazil seems to be the most vulnerable country -- the fear is, as you suggested with the metaphor of a fire wall, that it will spread to Argentina, to Mexico and then up into the United States quite quickly.

That's because these economies are quite closely linked with both trade flows and international banking flows.

NEWMAN: But is there anything that can be done? Because for four months now the International Monetary Fund has been pouring billions and billions of dollars into these economies which are failing, and what do they have to show for it at this point?

TARULLO: Well, the problem that they face is that they have used a prescription which worked pretty well in Mexico in 1995. You recall the peso

crisis there was contained quite quickly. The problem this time around now is
with many countries having the same kinds of problems and with many companies
and banks so heavily indebted, the old prescriptions are not working. And when
you ask the question --Can something be done? I think that's the question that
the finance ministers need to address this weekend.

NEWMAN: And how urgent is that -- is the answer to that question?

TARULLO: Well, it's very urgent, indeed. And, Kevin, you know, there are two
agendas on for this weekend. One is the short-term agenda -- how to get the
Asian economies, which are flat on their back, moving again and how to stop
Brazil from suffering financial distress. And then there is the agenda of this
long-term structural reform. I'm afraid too much attention is being paid to
long-term issues and not enough paid to the immediate problem we face.

NEWMAN: All right, Daniel Tarullo, thank you for joining us this morning. We
appreciate it.

TARULLO: Thank you.

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

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

CREATION DATE/TIME: 5-OCT-1998 08:14:00.00

SUBJECT: Early Report 10/5: Global Financial Turmoil, Kosovo

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

TEXT:
A sense of pessimism pervaded foreign commentary over the weekend as analysts weighed in with their assessments of the results of the meeting of G-7 finance ministers and central bankers held in Washington on Saturday. London's independent Financial Times summed up the view of most European observers, stating: "All in all, [the G-7 meeting] has hardly been global economic diplomacy's finest hour." Rome's centrist Il Messaggero and others held that the "historic weekend...confirmed the dramatic risks of the crisis rather than suggesting solutions." Most European writers were convinced that "little or nothing" had been achieved on what they saw as the "real" theme of the Washington meetings, the "radical reform" of the IMF and the World Bank. Those discussing President Clinton's proposal for a new fund within the IMF to assist the economies of financially threatened nations judged that the plan had an inborn "Achilles heel"--namely that the president will have to convince a reluctant U.S. Congress to participate in a "capital increase" of the IMF.

Comment from Asia and Latin America echoed the Europeans' pessimism. Tokyo papers said Saturday's communique was "an expression of the member nations' sense of urgency and irritation" at Japan's slow response in getting its own economy "back on track." Pundits in Hong Kong and Thailand

spoke of the "selfishness" of the G-7 nations' tardy response to the crisis and said that "meager solutions" from World Bank and IMF conferences meant that "gasping developing nations will have to find some way on their own to survive." A Malaysian paper judged that Prime Minister Mahathir's earlier critique of the global system was "gaining consensus" and argued that "precious time has been wasted...[while the West] refused to recognize...fundamental flaws in the international financial system." That paper and a Brazilian one called for reform and strengthening of the IMF.

MILOSEVIC'S 'PEACE OFFENSIVE' SUSPECT

Media in Europe and elsewhere viewed Serbian President Milosevic's "ambiguous peace offensive," including his agreeing to meet with U.S. Envoy Richard Holbrooke in Belgrade for talks later this week, as suspect. In general, foreign commentators remain supportive of military intervention, while expressing skepticism about Mr. Milosevic's latest moves, apparently to comply with UN resolutions. Indonesia's leading independent Kompas observed that it "remains unclear whether NATO's strong message is sufficient to prevent more ruthless ethnic cleansing." Most editorial opinion continued to urge tough NATO action against the Serbs to stop the "monstrous barbarity" and "slaughter" in Kosovo. Britain's conservative Sunday Times saw NATO itself on trial, insisting that "the specter of Western weakness and vacillation looms large [and]...must be dispelled." Hungary's pro-government Magyar Nemzet added that the Alliance risks becoming a "laughingstock" if it fails to retaliate to Milosevic's non-compliance.

BRIEF

-- Malaysia: Will 'Reformasi' Be Unstoppable?

EDITORS: Katherine Starr, Kathleen J. Brahney, Bill Richey

G-7 MEETING IN WASHINGTON: 'LITTLE OR NOTHING' ACHIEVED

BRITAIN: "G-7 Nations Try To Halt Slide To Depression"

The conservative Times said (10/5): "Fear of a meltdown in world stock markets and a decline into 1930s-style economic depression has pushed the world's leading finance ministers into making an unprecedentedly strong demand for an urgent and coordinated response to the current turmoil.... Finance ministers and central bank governors, badly rattled by the negative reaction on Wall Street to last week's cut in interest rates by the Federal Reserve, were acutely aware of expectations in the financial markets for concrete action and feared the reaction if there was none."

"Direction But No Detail"

The lead editorial in the independent Financial Times noted (10/5): "The G-7 is beginning to take on board the full significance of growing international turmoil. That, at least., was evident from the meeting of finance ministers and central bankers at the weekend. Unfortunately, little else is clear. The G-7 statement signals a direction for reform of the international financial architecture, but gives few details.... The best that can be said is that the G-7 laid out a broad direction for reform, involving greater transparency, beefed-up surveillance.... All in

all, it has hardly been global economic diplomacy's finest hour. In the absence of agreement, the G-7 has called on its deputies to complete a more detailed 'work plan' based on the broad agenda that has been laid out. If the G-7 is serious about reforming the financial architecture, the deputies must report back with a plan as soon as possible, and certainly before the end of the year. Waiting until the next scheduled G-7 meeting next spring is too long."

FRANCE: "Too Little Too Late"

Dominique Bromberger told listerners of government-funded France Inter radio (10/5): "We live in a globalized economy and we cannot go back. It is high time the G-7 governments, who watched with impotence or indifference as the crisis spread, set up a system of international control. The Washington summit was only the beginning of a declaration of intention to get started on something. Frankly it is too little too late."

"Dancing On The Volcano"

Francoise Crouigneau maintained in right-of-center Les Echos (10/5): "The G-7 and the IMF were engaged in a dance over a smoldering volcano. Their mission was to find the antidote to the poison of uncertainty affecting world markets.... In spite of an obvious attempt to go beyond their traditional obtuse declarations, one wonders if the G-7 and the IMF, with their belated resolutions, will convince the markets."

GERMANY: "A Disappointing Summit"

Cornelia Wolber concluded in right-of-center Die Welt of Berlin (10/5): "One half of the world's economies are close to collapse. And the other half of the world, including the United States and Europe, is alarmed. Bundesbank President Hans Tietmeyer asserts that he considers the situation to be very serious...Tietmeyer wants to support tried and tested prescriptions--more transparency in the markets and responsible supervision of the banks in order to ensure that economic problems are detected regionally before they become crises.... The majority of U.S. politicians block such an increase because they believe that billions of dollars of aid to Asia and Russia did not bring any results and even worsened the situation.... It seems likely that financial markets will be disappointed by what was agreed upon at the summit.... One thing is certain: The name 'the new Bretton Woods' is not deserved."

ITALY: "The Big Seven Beget One Small Mouse"

Economic analyst Paolo Glisenti commetned in Rome's centrist Il Messsaggero (10/5): "The giant diplomatic effort produced in Washington over the last 48 hours...has given birth to the classic little mouse, and stock markets will reopen this morning in a more pessimistic atmosphere. The historic weekend of meetings among financial ministers confirmed the dramatic risks of the crisis rather than suggesting solutions.... The agreement reached over the White House proposal for new funds for the IMF appears like a tiny little step considering the huge problems we have to confront.... According to many experts, Clinton's proposal to provide new funds to the IMF...is aimed at saving Brasil and some other Latin American countries....

Little or nothing has been achieved by this solemn weekend...(which was) only a way to gain time as we wait for an agreement on the real theme which was at the center of closed-door meetings in Washington: the dramatic urgency for a radical reform of the international monetary system and multilateral institutions--the IMF and the World Bank."

"Ambiguous Message From G-7"

Giovanni Battista Bozzo filed from Washington for leading rightist opposition Il Giornale (10/5): "An ambiguous message emerges from the much awaited G-7 meeting: on one side, the need was confirmed to adopt expansive economic strategies; on the other side, there was not even the slightest reference to a coordinated reduction of interest rates. The word 'rates,' in fact, was not even mentioned."

BELGIUM: "G-7 Has No Sure-Fire Recipe Against Crisis"

Economic columnist Jan Bohets pointed out in independent Catholic De Standaard (10/5): "The leading Western countries have no effective means of coping with the financial crisis that is spreading over large parts of the globe. However...the G-7 did agree that the resources of the IMF must be replenished urgently. That implies, inter alia, that the U.S. Congress must be willing to participate in a capital increase of the IMF for an amount of $18 billion."

RUSSIA: "Can Russia Lure IMF Back?"

Georgy Osipov opined in reformist Segodnya (10/5): "So it is not clear why should Russia be given money. Messrs. Zadornov and Gerashchenko [the minister of finance and the head of the Central Bank] are not likely to come up with some sensational plan of urgent economic transformations just as the psychological attack on creditors is not likely to produce results.... It appears that all we can count on is to prevent the talks from being broken off and to lure a new IMF mission to Moscow. Hoping that by then the financial crisis will somehow take care of itself and that some contours of the budget and of the economic policy will appear."

SPAIN: "Insufficient Results"

Liberal El Pais judged (10/5): "The G-7 meeting in Washington has ended without having reached agreement on the adoption of coordinated measures to address the more-than-year-long financial crisis.... The G-7 and many of the developing countries most affected by the crisis agree that a coordinated decrease in interest rates and the creation of a special emergency fund administered by the IMF are needed. The solution proposed by Clinton has an Achilles' heel, however, in that not even those countries that have committed themselves to contribute to such a fund are prepared to come up with a penny until the United States antes up the amount it has pledged to the IMF. In the meantime, the results of the meeting have ended in pure rhetoric, as usual."

JAPAN: "Japan's International Pledge To Save Sustainable Banks"

Top-circulation, moderate Yomiuri's editorial argued (10/5): "The government must take the G-7 statement as the expression of the member nations' sense of urgency and irritation toward the slow response to the crisis by Japan's ruling and opposition parties. Miyazawa disclosed Japan's $30-billion aid plan for Asian countries whose economies are in tatters. It is only natural that Japan should contribute actively to these neighbors' economic stability and reconstruction. More important, however, as Secretary Rubin has pointed out, is for Japan to do whatever it takes to get its own economy back on track. The nation's financial assistance scheme will not have much impact if its economic recovery is not realized soon."

"Japan Held More Responsible For Averting A World Economic Crisis"

An editorial in the business-oriented Nihon Keizai insisted (10/5): "Japan has become a 'problem-plagued' G-7 member nation..... The G-7 nations are seriously concerned that Japan's failure to overcome its financial crisis or to get its economy back on track would create a simultaneous worldwide deflationary spiral. Economic and financial crises, which spread from Asian countries to Russia and Latin America, are now threatening the New York stock exchange. If an emerging 'hedge fund crisis' should have negative effects on the management of financial institutions and stock prices, an economic slowdown in the United States will probably be unavoidable. It will also certainly adversely affect the European economy."

HONG KONG: "Acting To Avert A World Slump"

Independent Hong Kong Standard noted in its (10/5) editorial: "There is quite a bit of selfishness in the way Japan, the United States and some other developed countries look at the problem. Unless the leaders of these countries adopt a more statesman-like approach to this global problem we shall see little headway being made.... It is only now, with the flames licking at Washington's doorsteps, that this new package has been welcomed. Such obstruction by the Untied States and the IMF have only
served to convince many Asians, rightly or wrongly, that Washington wants to impose a new form of imperialism on this region."

"Don't Get Too Excited"

The nationalistic Hong Kong Economic Times said in a (10/5) editorial: "The G-7 countries, so far, have focused only on their own interests.... The Asian countries have been waiting for 15 months for Clinton's suggestion to set up emergency funds. But don't get too excited about it because such a measure is designated only for those who might be affected by the crisis, not those who have been suffering from it."

MALAYSIA: "Malasia's Earlier Call Gaining Consensus"

Government-influenced, English-language New Straits Times had this editorial (10/5): "Precious time has been wasted during the denial phase of the West when it refused to recognize that the East Asian financial

turmoil is partly due to fundamental flaws in the international monetary system.... Clearly, the urgency for U.S. action in mounting reforms to the international monetary system is in the interest of its economy and that of other economies. Such reforms should include mechanisms to handle international capital flows, the provision of swift and effective ways to tackle any liquidity crisis, an efficient exchange regime and regulated currency trading. A restructuring of the World Bank and IMF is crucial to ensure their global capitalism. The IMF, provided it is transparent, has a valuable role to play in the global financial system. But its secretive workings, including the fact that the amount supplied to Mexico during the peso crisis far exceeded the amounts slowly made to East Asian countries, indicate it as lack of accountability. That its coffers has not not been replenished shows how it

is very much subject to the whims and fancies of the donor countries. The reforms needed should not be indicated by he interests of the mighty few."

THAILAND: "Only Meager Resolution In Washington Meetings"

Thongtam Natchamnong commented in popular Siam Rath (10/5), "The Washington meetings of the World Bank and IMF produced only a meager resolution. In order to solve the current economic crisis, the resolution goes, every country must stimulate its growth and create a proper financial environment. Translation: The G-7 member countries need to rebuild their economic strength. In the meantime, gasping developing countries will have to find some way on their own to survive. Once the G-7 have injected

enough money into their economies and regained their former strength, certain benefits will then trickle down to these poorer nations."

BRAZIL: "Complete Irrationality"

Center-right O Estado de Sao Paulo's lead editorial said (10/2): "The financial world has yielded to the most complete irrationality. The only consensus is regarding the need to reform the system. The way it is now, the international financial system is no good. The problem is how to reform it.... The IMF has an important role to play while supervising the whole system. The best thing to do is provide the institution with tools capable of predicting crises and acting so as to prevent them from occurring."

MILOSEVIC'S 'PEACE OFFENSIVE' SUSPECT

BRITAIN: "'Never Again' Again"

The centrist Independent had this op-ed commentary by Professor Mark Almond of Oxford University (10/04): "The West's thundering over atrocities in Kosovo will come to little... If NATO sent in ground forces to expel the Serbs, it would create the independent Kosovo demanded by the KLA and, frankly, almost all Albanians. This would destabilize Macedonia and other neighbors, and the West does not want that. In any case, risking ground troops in a two-front war to expel the Serbs and control the KLA is simply something NATO would be mad to do. So Kosovo will fester. A cold winter will calm the fighting but not diminish the antagonism and in the spring we

will hear the cries of 'never again' again."

"NATO Is On Trial"

The conservative Sunday Times observed (10/04): "The time for mixed signals is over; they have allowed Mr. Milosevic too much leeway already. He needs to be persuaded that the West has a political as well as a military strategy and that, unless he sues for peace in Kosovo NATO's air strikes will be followed by the arming of its separatists.... The United States and its allies have concocted too many pretexts for inaction. It is time to end the mismatch between Western power and its lack of a credible strategy. NATO is on trial as much as the Serb dictator. If it cannot force an end to continuing slaughter on its on its doorstep, as it eventually did in Bosnia, its weakness will be apparent to the whole world. Mr. Milosevic must be made to realize that cannot be allowed. The specter of Western weakness and vacillation looms large. For all our sakes, as well as Kosovo's, it must be dispelled."

"Try This Killer Now"

The liberal Observer held (10/4): "Milosevic has learned to manipulate the weakness of the international community, turning off the violence when the threat of military intervention comes too close. Last week, Europe and the United States trotted out their usual weary warnings and warmed up their jets; Milosevic once again stood down his troops. He will kill again until the world holds him responsible for his murderous acts."

FRANCE: "Temporary Peace At A High Price"

Renaud Girard in right-of-center Le Figaro (10/5): "War is temporarily halted in Kosovo. Under NATO's threat, Serbian units have withdrawn.... Some kind of order appears to have been restored in Kosovo, but at a very high price. Albanians are more than ever in favor of independence, and 20 000 Kosovars have left their native land without any hope of returning."

GERMANY: "Setting A Precedent"

In left-of-center Die Tageszeitung of Berlin, Ivan Ivanji opined (10/5): "The decision will be made this week whether NATO for the first time uses military force against a sovereign state which is violating human rights. This would set a precedent not comparable to the intervention in Iraq nor with Bosnia.... The humanitarian situation of the refugees will deteriorate dramatically, if the international aid organizations have to pull out of the country. Many Serbs would rally around Milosevic much more strongly than they already do.... The shuttle diplomacy of American Ambassador Christopher Hill would also be endangered.... The governments of some countries may want to make themselves look decisive, but the crisis cannot be solved by the use of missiles and bombs."

" Somewhat Less Vague"

In right-of-center Frankfurter Allgemeine, Werner Adam noted (10/5): "Once again, a massacre had to be discovered so that verbal warnings to Belgrade could be followed up with less vague warnings. Some in Moscow, in

return, are signaling what some Western capitals, including Bonn, had hoped for--that Russia would offer political, if not military support, for measures against Serbia.... [T]he Russian government under Prime Minister Primakov...is reproaching NATO for not acting without a UN mandate.... [But] no one can expect such a mandate, since Russia as well as China have veto powers. However, Moscow is no longer treating NATO's warnings as political talk without consequences. Sunday's visit by the Russian foreign and defense ministers to Milosevic is proof of this."

ITALY: "Another Wall To Be Brought Down In Serbia"

Aldo Rizzo in centrist, influential La Stampa noted (10/5): .It is possible that, before the U.N. Secretary General's report on the situation in Kosovo is made public, there will be an ambiguous 'peace offensive' (by Milosevic), an offer for a compromise. All of that, however, should not make the international community recede (from bringing)...'timely aid.'... Milosevic must realize that this is the end of the game for him after so many tricks and so much violence: he either seriously accepts respect for the law, or there will be war.... [W]ith or without a NATO intervention, there will never be real peace in the region until real democracy is achieved in Belgrade, and that there will not be real democracy while Slobodan Milosevic remains in power under whatsoever form....If there is a wall that has not fallen in Europe yet, it is the wall of the former Yugoslavia."

"In Kosovo, Italy Should Not Take a Middle-of-the-Road Position"

Antonio Gambino judged in Rome centrist Il Messaggero (10/3): "Something seems to have changed. The very tough position adopted by the United States over the last few days gives more consistency to the prospect of a military intervention.... Among European nations...Italy's position is not totally clear. When our Foreign Minister talks about the need for 'a mandate by the United Nations' does he intend to stick with the Russian position, or simply point to the need for a new resolution?... To seek a half-way agreement with those who intend to give a free hand to a systematic murderer of women and children would be a fatal mistake."

BELGIUM: "If The Americans Want it, And When They Decide it"

Edouard van Velthem in independent Le Soir commented (10/5): "Bill Clinton, at the end of the week, showed his 'great optimism as to a positive solution' of the crisis, in contrast to the common indignations of Paris, London and Bonn. This reserve certainly does not mean that the United States has given up the option of air raids to make Slobodan Milosevic yield, but that the United States intends to call the shots and seeks a decisive diplomatic advantage in the solution of the conflict. This 'go it alone' [attitude on an issue that is first [of all a] European one could irritate, or frustrate other negotiations."

DENMARK: "Action Is Necessary"

Centrist Kristeligt Dagblad observed (10/3): "In the past, we have used

our editorials to argue that a NATO attack would violate Serbian sovereignty, but now it appears that action is necessary to stop the war from escalating. We should not kid ourselves however, that a single air strike will solve the conflict. Military action ought to be followed up by peace-keeping initiatives, which also take the fate of Kosovo's Serb minority into consideration. Kosovo's Serbs risk being exterminated by the
Kosovo-Albanians if they are left unprotected. In short, the West should make it clear what it wants to achieve after an air strike. This is why NATO countries have been understandably hesitant on the issue."

FINLAND: "NATO Must Act"

Regional Aamulehti urged (10/3): "Milosevic has sneered at the world but the picture is not quite as simple as that.... The West sacrificed Kosovo. The West looked elsewhere when [Milosevic] began to discipline the Kosovo Albanians with a hard hand. This strategy now strikes back, not only in Kosovo but also in Bosnia, where the recent elections strengthened the position of the nationalists in every citizens group. This development is contrary to the Dayton agreement's intent. The moment of truth is drawing close. If policies that destroy Kosovo and deepen the human catastrophe there cannot be halted, NATO must act."

HUNGARY: "Kosovo Challenge"

Janos Avar in pro-government Magyar Nemzet's noted (10/3): "NATO has given an ultimatum not so much to Milosevic as to itself: should they, once

again, not retaliate to Belgrade's not complying with Security Council demands, the Atlantic alliance would become a laughingstock."

RUSSIA: "The West Is Prepared For Military Action In Kosovo"

Nikolai Zimin wrote in reformist Segodnya (10/3): "Because of the specific situation of the present American administration due to the series of scandals, its readiness for aggressive acts outside of the United States is greater than ever before. After all, military adventures overseas have long been regarded as a reliable means of switching the attention of the public and the electorate away from unpleasant domestic problems, be it a drop of production, growth of unemployment, or somebody's love affairs."."

SPAIN: "Milosevic Again"

Barcelona's centrist La Vanguardia judged (10/5): "The interpretation of the [UNSC resolution warning Milosevic of the use of force]...is not unanimous. The United States and Great Britain, for example, consider that it allows any use of force against Milosevic. But his ally, Russia, does not interpret it that way. And now Milosevic has invited UN Secretary General Kofi Annan to come to Belgrade with the intention of using him, as Saddam Hussein did, to avoid an

attack. But after seven months of acting with impunity against the Kosovars...Milosevic now deserves such an attack, if the West does not wish to see the tragedy of Bosnia repeated."

"Pound Milosevic"

Francisco Eguiagaray wrote in conservative ABC (10/4): "The images of the latest campaign of extermination and deportation...that we have recently seen, despite Serbia's attempts to censor them, demonstrate what those of us familiar with this situation already know, and what a NATO official has described as Serbia's 'incredible bloodlust' in its operations in Kosovo.... Milosevic creates the conflicts and crises, which make him a hero in the eyes of crazed Serbian nationalists.... And the results are there for all to see: the inanity of the attempts to constrain Milosevic without the decisive use of force.... The only question is: how long will the genocide go on?"

INDONESIA: "Firm Action Necessary to Settle Kosovo Issue"

Leading independent Kompas stated (10/3): "At last, NATO took firm action in Kosovo.... [But] it remains unclear as to whether NATO's strong message is sufficient to prevent more ruthless ethnic cleansing. Serb leader Milosevic continues to stubbornly stick to the notion that reports of Albanian massacres are mere hoaxes.... The Kosovo matter is an example how difficult it is for a nation to achieve peace and prosperity, if its leaders continue to mix narrow-minded personal vestigial interests with state affairs."

BRIEF

MALAYSIA: WILL 'REFORMASI' BE UNSTOPPABLE?

PHILIPPINES: "Boycott Kuala Lumpur"

Frankie Llaguno wrote in the independent Manila Times (10/5): "In openly sympathizing with Anwar Ibrahim, (Philippine President Joseph) Estrada joins what is turning out to be a global show of protest for the arrest and imprisonment of the 51-year-old would-be successor to Mahathir.... The off-the-cuff remarks of Estrada, although not originally intended for public consumption, have contributed to Mahathir's growing political isolation.... As a new ASEAN leader which is not part of Mahathir's old-boy network, he could add his voice to the junking of the constructive engagement policy in favor of human rights. That includes Anwar Ibrahim's rights as a prisoner of conscience."

THAILAND: "Reform Has Shown Its Face In Malaysia"

Pichai Chuensuksawadi commented in the top-circulation, moderately conservative Bangkok Post (10/5): "Dr. Mahathir...has shown he will use all his authority to do things his way. But he will not remain in power forever. There will come a day when he must step down.... Once the word 'reformasi' is uttered by a few, it will be uttered by hundreds, thousands and then tens of thousands. Change may take time, even decades as we here in Thailand have learned. But once unleashed, it cannot be stopped."

##========== ATTACHMENT 1 ==========

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Mon, 05 Oct 1998 08:14:55 -0400 (EDT)
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#Xn\ P6Qy&P#Monday, October 5, 1998

X` hp x G7 MEETING IN WASHINGTON: 'LITTLE OR NOTHING' ACHIEVED
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Comment from Asia and Latin America echoed the Europeans' pessimism. Tokyo pa pers said Saturday's communique was "an expression of the member nations' sense of urgency and irritation" at Japan's slow response in getting its own economy "back on track." Pundits in Hong Kong and Thailand spoke of the "selfishness" of the G7 nations' tardy response to the crisis and said that "meager solution s" from World Bank and IMF conferences meant that "gasping developing nations w ill have to find some way on their own to survive." A Malaysian paper judged t hat Prime Minister Mahathir's earlier critique of the global system was "gainin g consensus" and argued that "precious time has been wasted...[while the West] refused to recognize...fundamental flaws in the international financial system. " That paper and a Brazilian one called for reform and strengthening of the IM F.

MILOSEVIC'S 'PEACE OFFENSIVE' SUSPECT

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Western weakness and vacillation looms large [and]...must be dispelled."
Hu
ngary's progovernment Magyar Nemzet added that the Alliance risks
becoming a "l
aughingstock" if it fails to retaliate to Milosevic's
noncompliance.

BRIEF

Malaysia: Will 'Reformasi' Be Unstoppable?

EDITORS: Katherine Starr, Kathleen J. Brahney, Bill Richey

G7 MEETING IN WASHINGTON: 'LITTLE OR NOTHING' ACHIEVED

BRITAIN: "G7 Nations Try To Halt Slide To Depression"

X` hp x

The conservative Times said (10/5): "Fear of a meltdown in world stock
markets
and a decline into 1930sstyle economic depression has pushed the
world's leadi
ng finance ministers into making an unprecedentedly strong
demand for an urgent
and coordinated response to the current turmoil....
Finance ministers and cen
tral bank governors, badly rattled by the negative
reaction on Wall Street to l
ast week's cut in interest rates by the Federal
Reserve, were acutely aware of
expectations in the financial markets for
concrete action and feared the reacti
on if there was none."

"Direction But No Detail"

The lead editorial in the independent Financial Times noted (10/5): "The
G7 is
beginning to take on board the full significance of growing
international turm
oil. That, at least., was evident from the meeting of
finance ministers and ce
ntral bankers at the weekend. Unfortunately,

little else is clear. The G7 sta
tement signals a direction for reform of
the international financial architectu
re, but gives few details.... The
best that can be said is that the G7 laid ou
t a broad direction for
reform, involving greater transparency, beefedup survei
llance.... All in
all, it has hardly been global economic diplomacy's finest h
our. In the
absence of agreement, the G7 has called on its deputies to comple
te a
more detailed 'work plan' based on the broad agenda that has been laid out
.
If the G7 is serious about reforming the financial architecture, the
deputie
s must report back with a plan as soon as possible, and certainly
before the en
d of the year. Waiting until the next scheduled G7 meeting
next spring is too
long."

X` hp x FRANCE: "Too Little Too Late"

Dominique Bromberger told listerners of governmentfunded France Inter
radio (10
/5): "We live in a globalized economy and we cannot go back. It
is high time t
he G7 governments, who watched with impotence or
indifference as the crisis sp
read, set up a system of international
control. The Washington summit was onl
y the beginning of a declaration of
intention to get started on something. Fra
nkly it is too little too late."
X` hp x
"Dancing On The Volcano"

Francoise Crouigneau maintained in rightofcenter Les Echos (10/5): "The
G7 and
the IMF were engaged in a dance over a smoldering volcano. Their
mission was
to find the antidote to the poison of uncertainty affecting
world markets....
In spite of an obvious attempt to go beyond their
traditional obtuse declarat
ions, one wonders if the G7 and the IMF, with
their belated resolutions, will c
onvince the markets."

X` hp x GERMANY: "A Disappointing Summit"

Cornelia Wolber concluded in rightofcenter Die Welt of Berlin (10/5):
"One ha

lf of the world's economies are close to collapse. And the other
half of the w
orld, including the United States and Europe, is alarmed.
Bundesbank Preside
nt Hans Tietmeyer asserts that he considers the
situation to be very serious..
.Tietmeyer wants to support tried and tested
prescriptionsmore transparency in
the markets and responsible supervision
of the banks in order to ensure that e
conomic problems are detected
regionally before they become crises.... The maj
ority of U.S. politicians
block such an increase because they believe that bill
ions of dollars of aid
to Asia and Russia did not bring any results and even w
orsened the
situation.... It seems likely that financial markets will be disap
pointed
by what was agreed upon at the summit.... One thing is certain: The n
ame
'the new Bretton Woods' is not deserved."

ITALY: "The Big Seven Beget One Small Mouse"

Economic analyst Paolo Glisenti commetned in Rome's centrist Il
Messsaggero (1
0/5): "The giant diplomatic effort produced in Washington
over the last 48 hou
rs...has given birth to the classic little mouse, and
stock markets will reopen
this morning in a more pessimistic atmosphere.
The historic weekend of meetin
gs among financial ministers confirmed the
dramatic risks of the crisis rather
than suggesting solutions.... The
agreement reached over the White House propo
sal for new funds for the IMF
appears like a tiny little step considering the h
uge problems we have to
confront.... According to many experts, Clinton's prop
osal to provide new
funds to the IMF...is aimed at saving Brasil and some other
Latin American
countries.... Little or nothing has been achieved by this sole
mn
weekend...(which was) only a way to gain time as we wait for an agreement
on
the real theme which was at the center of closeddoor meetings in
Washington: t
he dramatic urgency for a radical reform of the international
monetary system a
nd multilateral institutionsthe IMF and the World Bank."

X` hp x
"Ambiguous Message From G7"

Giovanni Battista Bozzo filed from Washington for leading rightist opposition
Il Giornale (10/5): "An ambiguous message emerges from the much awaited G7 mee
ting: on one side, the need was confirmed to adopt expansive economic strategie
s; on the other side, there was not even the slightest reference to a coordinat
ed reduction of interest rates. The word 'rates,' in fact, was not even mentio
ned."

X` hp x BELGIUM: "G7 Has No SureFire Recipe Against Crisis"

Economic columnist Jan Bohets pointed out in independent Catholic De Standaard
(10/5): "The leading Western countries have no effective means of coping with
the financial crisis that is spreading over large parts of the globe. However.
..the G7 did agree that the resources of the IMF must be replenished urgently.
That implies, inter alia, that the U.S. Congress must be willing to participat
e in a capital increase of the IMF for an amount of $18 billion."

RUSSIA: "Can Russia Lure IMF Back?"

Georgy Osipov opined in reformist Segodnya (10/5): "So it is not clear why sh
ould Russia be given money. Messrs. Zadornov and Gerashchenko [the minister of
finance and the head of the Central Bank] are not likely to come up with some
sensational plan of urgent economic transformations just as the psychological a
ttack on creditors is not likely to produce results.... It appears that all we
can count on is to prevent the talks from being broken off and to lure a new I
MF mission to Moscow. Hoping that by then the financial crisis will somehow ta
ke care of itself and that some contours of the budget and of the economic poli
cy will appear."

SPAIN: "Insufficient Results"
X` hp x
Liberal El Pais judged (10/5): "The G7 meeting in Washington has ended without

having reached agreement on the adoption of coordinated measures to address t
he morethanyearlong financial crisis.... The G7 and many of the developing cou
ntries most affected by the crisis agree that a coordinated decrease in interes
t rates and the creation of a special emergency fund administered by the IMF ar
e needed. The solution proposed by Clinton has an Achilles' heel, however, in that not even those countries that have committed themselves to contribute to s
uch a fund are prepared to come up with a penny until the United States antes u
p the amount it has pledged to the IMF. In the meantime, the results of the me
eting have ended in pure rhetoric, as usual."

JAPAN: "Japan's International Pledge To Save Sustainable Banks"

Topcirculation, moderate Yomiuri's editorial argued (10/5): "The government m
ust take the G7 statement as the expression of the member nations' sense of urg
ency and irritation toward the slow response to the crisis by Japan's ruling an
d opposition parties. Miyazawa disclosed Japan's $30billion aid plan for Asian countries whose economies are in tatters. It is only natural that Japan shou
ld contribute actively to these neighbors' economic stability and reconstructio
n. More important, however, as Secretary Rubin has pointed out, is for Japan t
o do whatever it takes to get its own economy back on track. The nation's fina
ncial assistance scheme will not have much impact if its economic recovery is n
ot realized soon."

"Japan Held More Responsible For Averting A World Economic Crisis"

An editorial in the businessoriented Nihon Keizai insisted (10/5): "Japan has become a 'problemplagued' G7 member nation..... The G7 nations are seriously concerned that Japan's failure to overcome its financial crisis or to get its economy back on track would create a simultaneous worldwide

deflationary spiral
. Economic and financial crises, which spread from
Asian countries to Russia
and Latin America, are now threatening the New
York stock exchange. If an emer
ging 'hedge fund crisis' should have
negative effects on the management of fina
ncial institutions and stock
prices, an economic slowdown in the United States
will probably be
unavoidable. It will also certainly adversely affect the Eur
opean
economy."

HONG KONG: "Acting To Avert A World Slump"

Independent Hong Kong Standard noted in its (10/5) editorial: "There is
quite
a bit of selfishness in the way Japan, the United States and some
other develo
ped countries look at the problem. Unless the leaders of
these countries adop
t a more statesmanlike approach to this global
problem we shall see little hea
dway being made.... It is only now, with
the flames licking at Washington's do
orsteps, that this new package has
been welcomed. Such obstruction by the Unt
ied States and the IMF have only
served to convince many Asians, rightly or wr
ongly, that Washington wants
to impose a new form of imperialism on this regio
n."

"Don't Get Too Excited"

The nationalistic Hong Kong Economic Times said in a (10/5) editorial: "The
G7
countries, so far, have focused only on their own interests.... The
Asian co
untries have been waiting for 15 months for Clinton's suggestion to
set up emer
gency funds. But don't get too excited about it because such a
measure is desig
nated only for those who might be affected by the crisis,
not those who have be
en suffering from it."

MALAYSIA: "Malasia's Earlier Call Gaining Consensus"

Governmentinfluenced, Englishlanguage New Straits Times had this
editorial (10
/5): "Precious time has been wasted during the denial phase
of the West when

it refused to recognize that the East Asian financial turmoil is partly due to fundamental flaws in the international monetary system.... Clearly, the urgency for U.S. action in mounting reforms to the international monetary system is in the interest of its economy and that of other economies. Such reforms should include mechanisms to handle international capital flows, the provision of swift and effective ways to tackle any liquidity crisis, an efficient exchange regime and regulated currency trading. A restructuring of the World Bank and IMF is crucial to ensure their global capitalism. The IMF, provided it is transparent, has a valuable role to play in the global financial system. But its secretive workings, including the fact that the amount supplied to Mexico during the peso crisis far exceeded the amounts slowly made to East Asian countries, indicate it as lack of accountability. That its coffers has not not been replenished shows how it is very much subject to the whims and fancies of the donor countries. The reforms needed should not be indicated by he interests of the mighty few."

THAILAND: "Only Meager Resolution In Washington Meetings"

Thongtam Natchamnong commented in popular Siam Rath (10/5), "The Washington meetings of the World Bank and IMF produced only a meager resolution. In order to solve the current economic crisis, the resolution goes, every country must stimulate its growth and create a proper financial environment. Translation: The G7 member countries need to rebuild their economic strength. In the meantime, gasping developing countries will have to find some way on their own to survive. Once the G7 have injected enough money into their economies and regained their former strength, certain benefits will then trickle down to these poorer nations."

BRAZIL: "Complete Irrationality"

Centerright O Estado de Sao Paulo's lead editorial said (10/2): "The

financia
l world has yielded to the most complete irrationality. The only
consensus is
regarding the need to reform the system. The way it is now,
the internationa
l financial system is no good. The problem is how to
reform it.... The IMF h
as an important role to play while supervising the
whole system. The best thi
ng to do is provide the institution with tools
capable of predicting crises an
d acting so as to prevent them from
occurring."

X` hp x MILOSEVIC'S 'PEACE OFFENSIVE' SUSPECT
X` hp x
X` hp x BRITAIN: "'Never Again' Again"
X` hp x

The centrist Independent had this oped commentary by Professor Mark Almond
of
Oxford University (10/04): "The West's thundering over atrocities in
Kosovo wi
ll come to little... If NATO sent in ground forces to expel the
Serbs, it woul
d create the independent Kosovo demanded by the KLA and,
frankly, almost all Al
banians. This would destabilize Macedonia and other
neighbors, and the West do
es not want that. In any case, risking ground
troops in a twofront war to expe
l the Serbs and control the KLA is simply
something NATO would be mad to do. S
o Kosovo will fester. A cold winter
will calm the fighting but not diminish th
e antagonism and in the spring we
will hear the cries of 'never again' again."

"NATO Is On Trial"

The conservative Sunday Times observed (10/04): "The time for mixed
signals i
s over; they have allowed Mr. Milosevic too much leeway already.
He needs to b
e persuaded that the West has a political as well as a
military strategy and th
at, unless he sues for peace in Kosovo NATO's air
strikes will be followed by t
he arming of its separatists.... The United
States and its allies have concoct
ed too many pretexts for inaction. It is
time to end the mismatch between West
ern power and its lack of a credible
strategy. NATO is on trial as much as the
Serb dictator. If it cannot

force an end to continuing slaughter on its on it
s doorstep, as it
eventually did in Bosnia, its weakness will be apparent to th
e whole world.
Mr. Milosevic must be made to realize that cannot be allowed.
The specter
of Western weakness and vacillation looms large. For all our sakes
, as
well as Kosovo's, it must be dispelled."

"Try This Killer Now"

The liberal Observer held (10/4): "Milosevic has learned to manipulate the
wea
kness of the international community, turning off the violence when the
threat
of military intervention comes too close. Last week, Europe and the
United Sta
tes trotted out their usual weary warnings and warmed up their
jets; Milosevic
once again stood down his troops. He will kill again until
the world holds him
responsible for his murderous acts."

FRANCE: "Temporary Peace At A High Price"

Renaud Girard in rightofcenter Le Figaro (10/5): "War is temporarily
halted in
Kosovo. Under NATO's threat, Serbian units have withdrawn....
Some kind of o
rder appears to have been restored in Kosovo, but at a very
high price. Albani
ans are more than ever in favor of independence, and 20
000 Kosovars have left
their native land without any hope of returning."
X` hp x
X` hp x GERMANY: "Setting A Precedent"

In leftofcenter Die Tageszeitung of Berlin, Ivan Ivanji opined (10/5):
"The d
ecision will be made this week whether NATO for the first time uses
military fo
rce against a sovereign state which is violating human rights.
This would set
a precedent not comparable to the intervention in Iraq nor
with Bosnia.... T
he humanitarian situation of the refugees will
deteriorate dramatically, if th
e international aid organizations have to
pull out of the country. Many Serb
s would rally around Milosevic much
more strongly than they already do.... Th
e shuttle diplomacy of American
Ambassador Christopher Hill would also be enda

ngered.... The governments
of some countries may want to make themselves look
decisive, but the crisis
cannot be solved by the use of missiles and bombs."

" Somewhat Less Vague"

In rightofcenter Frankfurter Allgemeine, Werner Adam noted (10/5): "Once
agai
n, a massacre had to be discovered so that verbal warnings to Belgrade
could be
followed up with less vague warnings. Some in Moscow, in
return, are signal
ing what some Western capitals, including Bonn, had hoped
forthat Russia would
offer political, if not military support, for
measures against Serbia.... [T]
he Russian government under Prime Minister
Primakov...is reproaching NATO for n
ot acting without a UN mandate....
[But] no one can expect such a mandate, si
nce Russia as well as China have
veto powers. However, Moscow is no longer tr
eating NATO's warnings as
political talk without consequences. Sunday's visit
by the Russian
foreign and defense ministers to Milosevic is proof of this."

ITALY: "Another Wall To Be Brought Down In Serbia"

Aldo Rizzo in centrist, influential La Stampa noted (10/5): .It is possible
th
at, before the U.N. Secretary General's report on the situation in Kosovo
is ma
de public, there will be an ambiguous 'peace offensive' (by
Milosevic), an offe
r for a compromise. All of that, however, should not
make the international co
mmunity recede (from bringing)...'timely aid.'...
Milosevic must realize that
this is the end of the game for him after so
many tricks and so much violence:
he either seriously accepts respect for
the law, or there will be war.... [W]i
th or without a NATO intervention,
there will never be real peace in the region
until real democracy is
achieved in Belgrade, and that there will not be real
democracy while
Slobodan Milosevic remains in power under whatsoever form....If
there is a
wall that has not fallen in Europe yet, it is the wall of the forme
r
Yugoslavia."

"In Kosovo, Italy Should Not Take a MiddleoftheRoad Position"

Antonio Gambino judged in Rome centrist Il Messaggero (10/3): "Something seem
s to have changed. The very tough position adopted by the United States over t
he last few days gives more consistency to the prospect of a military intervent
ion.... Among European nations...Italy's position is not totally clear. When
our Foreign Minister talks about the need for 'a mandate by the United Nations'
does he intend to stick with the Russian position, or simply point to the need
for a new resolution?... To seek a halfway agreement with those who intend to
give a free hand to a systematic murderer of women and children would be a fat
al mistake."
X` hp x

BELGIUM: "If The Americans Want it, And When They Decide it"
X` hp x
Edouard van Velthem in independent Le Soir commented (10/5): "Bill Clinton, at
the end of the week, showed his 'great optimism as to a positive solution' of
the crisis, in contrast to the common indignations of Paris, London and Bonn.
This reserve certainly does not mean that the United States has given up the op
tion of air raids to make Slobodan Milosevic yield, but that the United States
intends to call the shots and seeks a decisive diplomatic advantage in the solu
tion of the conflict. This 'go it alone' [attitude on an issue that is first [
of all a] European one could irritate, or frustrate other negotiations."

DENMARK: "Action Is Necessary"

Centrist Kristeligt Dagblad observed (10/3): "In the past, we have used our e
ditorials to argue that a NATO attack would violate Serbian sovereignty, but no
w it appears that action is necessary to stop the war from escalating. We shou
ld not kid ourselves however, that a single air strike will solve the conflict.
Military action ought to be followed up by peacekeeping initiatives, which al

so take the fate of Kosovo's Serb
minority into consideration. Kosovo's Serbs
risk being exterminated by the
KosovoAlbanians if they are left unprotected. I
n short, the West should
make it clear what it wants to achieve after an air st
rike. This is why
NATO countries have been understandably hesitant on the issue
."

FINLAND: "NATO Must Act"

Regional Aamulehti urged (10/3): "Milosevic has sneered at the world but
the
picture is not quite as simple as that.... The West sacrificed Kosovo.
The Wes
t looked elsewhere when [Milosevic] began to discipline the Kosovo
Albanians wi
th a hard hand. This strategy now strikes back, not only in
Kosovo but also in
Bosnia, where the recent elections strengthened the
position of the nationalis
ts in every citizens group. This development is
contrary to the Dayton agreeme
nt's intent. The moment of truth is drawing
close. If policies that destroy K
osovo and deepen the human catastrophe
there cannot be halted, NATO must act."

HUNGARY: "Kosovo Challenge"

Janos Avar in progovernment Magyar Nemzet's noted (10/3): "NATO has given
an
ultimatum not so much to Milosevic as to itself: should they, once
again, not r
etaliate to Belgrade's not complying with Security Council
demands, the Atlanti
c alliance would become a laughingstock."

RUSSIA: "The West Is Prepared For Military Action In Kosovo"

Nikolai Zimin wrote in reformist Segodnya (10/3): "Because of the specific
si
tuation of the present American administration due to the series of
scandals, i
ts readiness for aggressive acts outside of the United States is
greater than e
ver before. After all, military adventures overseas have
long been regarded as
a reliable means of switching the attention of the
public and the electorate a
way from unpleasant domestic problems, be it a
drop of production, growth of un
employment, or somebody's love affairs."."

X` hp x SPAIN: "Milosevic Again"
X` hp x

Barcelona's centrist La Vanguardia judged (10/5): "The interpretation of the [
UNSC resolution warning Milosevic of the use of force]...is not unanimous. The
United States and Great Britain, for example, consider that it allows any use
of force against Milosevic. But his ally, Russia, does not interpret it that
way. And now Milosevic has invited UN Secretary General Kofi Annan to come to
Belgrade with the intention of using him, as Saddam Hussein did, to avoid an

attack. But after seven months of acting with impunity against the Kosovars...
Milosevic now deserves such an attack, if the West does not wish to see the tr
agedy of Bosnia repeated."

"Pound Milosevic"

Francisco Eguiagaray wrote in conservative ABC (10/4): "The images of the la
test campaign of extermination and deportation...that we have recently seen, de
spite Serbia's attempts to censor them, demonstrate what those of us familiar
with this situation already know, and what a NATO official has described as Ser
bia's 'incredible bloodlust' in its operations in Kosovo.... Milosevic create
s the conflicts and crises, which make him a hero in the eyes of crazed Serbia
n nationalists.... And the results are there for all to see: the inanity of th
e attempts to constrain Milosevic without the decisive use of force.... The on
ly question is: how long will the genocide go on?"

INDONESIA: "Firm Action Necessary to Settle Kosovo Issue"

Leading independent Kompas stated (10/3): "At last, NATO took firm action in
Kosovo.... [But] it remains unclear as to whether NATO's strong message is suff
icient to prevent more ruthless ethnic cleansing. Serb leader Milosevic contin
ues to stubbornly stick to the notion that reports of Albanian massacres are me

re hoaxes.... The Kosovo matter is an example how
difficult it is for a natio
n to achieve peace and prosperity, if its
leaders continue to mix narrowminded
personal vestigial interests with
state affairs."

X` hp x BRIEF

MALAYSIA: WILL 'REFORMASI' BE UNSTOPPABLE?

PHILIPPINES: "Boycott Kuala Lumpur"
X` hp x
Frankie Llaguno wrote in the independent Manila Times (10/5): "In openly
sympa
thizing with Anwar Ibrahim, (Philippine President Joseph) Estrada
joins what is
turning out to be a global show of protest for the arrest and
imprisonment of
the 51yearold wouldbe successor to Mahathir.... The
offthecuff remarks of Est
rada, although not originally intended for
public consumption, have contribute
d to Mahathir's growing political
isolation.... As a new ASEAN leader which is
not part of Mahathir's
oldboy network, he could add his voice to the junking o
f the constructive
engagement policy in favor of human rights. That includes A
nwar Ibrahim's
rights as a prisoner of conscience."

THAILAND: "Reform Has Shown Its Face In Malaysia"

Pichai Chuensuksawadi commented in the topcirculation, moderately
conservative
Bangkok Post (10/5): "Dr. Mahathir...has shown he will use
all his authority t
o do things his way. But he will not remain in power
forever. There will come
a day when he must step down.... Once the word
'reformasi' is uttered by a fe
w, it will be uttered by hundreds, thousands
and then tens of thousands. Chang
e may take time, even decades as we here
in Thailand have learned. But once un
leashed, it cannot be stopped."

###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: 5-OCT-1998 08:14:00.00

SUBJECT: Early Report 10/5: Global Financial Turmoil, Kosovo

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

TEXT:
A sense of pessimism pervaded foreign commentary over the weekend as analysts weighed in with their assessments of the results of the meeting of G-7 finance ministers and central bankers held in Washington on Saturday. London's independent Financial Times summed up the view of most European observers, stating: "All in all, [the G-7 meeting] has hardly been global economic diplomacy's finest hour." Rome's centrist Il Messaggero and others held that the "historic weekend...confirmed the dramatic risks of the crisis rather than suggesting solutions." Most European writers were convinced that "little or nothing" had been achieved on what they saw as the "real" theme of the Washington meetings, the "radical reform" of the IMF and the World Bank. Those discussing President Clinton's proposal for a new fund within the IMF to assist the economies of financially threatened nations judged that the plan had an inborn "Achilles heel"--namely that the president will have to convince a reluctant U.S. Congress to participate in a "capital increase" of the IMF.

Comment from Asia and Latin America echoed the Europeans' pessimism. Tokyo papers said Saturday's communique was "an expression of the member nations' sense of urgency and irritation" at Japan's slow response in getting its own economy "back on track." Pundits in Hong Kong and Thailand

spoke of the "selfishness" of the G-7 nations' tardy response to the crisis and said that "meager solutions" from World Bank and IMF conferences meant that "gasping developing nations will have to find some way on their own to survive." A Malaysian paper judged that Prime Minister Mahathir's earlier critique of the global system was "gaining consensus" and argued that "precious time has been wasted...[while the West] refused to recognize...fundamental flaws in the international financial system." That paper and a Brazilian one called for reform and strengthening of the IMF.

MILOSEVIC'S 'PEACE OFFENSIVE' SUSPECT

Media in Europe and elsewhere viewed Serbian President Milosevic's "ambiguous peace offensive," including his agreeing to meet with U.S. Envoy Richard Holbrooke in Belgrade for talks later this week, as suspect. In general, foreign commentators remain supportive of military intervention, while expressing skepticism about Mr. Milosevic's latest moves, apparently to comply with UN resolutions. Indonesia's leading independent Kompas observed that it "remains unclear whether NATO's strong message is sufficient to prevent more ruthless ethnic cleansing." Most editorial opinion continued to urge tough NATO action against the Serbs to stop the "monstrous barbarity" and "slaughter" in Kosovo. Britain's conservative Sunday Times saw NATO itself on trial, insisting that "the specter of Western weakness and vacillation looms large [and]...must be dispelled." Hungary's pro-government Magyar Nemzet added that the Alliance risks becoming a "laughingstock" if it fails to retaliate to Milosevic's non-compliance.

BRIEF

-- Malaysia: Will 'Reformasi' Be Unstoppable?

EDITORS: Katherine Starr, Kathleen J. Brahney, Bill Richey

G-7 MEETING IN WASHINGTON: 'LITTLE OR NOTHING' ACHIEVED

BRITAIN: "G-7 Nations Try To Halt Slide To Depression"

The conservative Times said (10/5): "Fear of a meltdown in world stock markets and a decline into 1930s-style economic depression has pushed the world's leading finance ministers into making an unprecedentedly strong demand for an urgent and coordinated response to the current turmoil.... Finance ministers and central bank governors, badly rattled by the negative reaction on Wall Street to last week's cut in interest rates by the Federal Reserve, were acutely aware of expectations in the financial markets for concrete action and feared the reaction if there was none."

"Direction But No Detail"

The lead editorial in the independent Financial Times noted (10/5): "The G-7 is beginning to take on board the full significance of growing international turmoil. That, at least., was evident from the meeting of finance ministers and central bankers at the weekend. Unfortunately, little else is clear. The G-7 statement signals a direction for reform of the international financial architecture, but gives few details.... The best that can be said is that the G-7 laid out a broad direction for reform, involving greater transparency, beefed-up surveillance.... All in

all, it has hardly been global economic diplomacy's finest hour. In the absence of agreement, the G-7 has called on its deputies to complete a more detailed 'work plan' based on the broad agenda that has been laid out. If the G-7 is serious about reforming the financial architecture, the deputies must report back with a plan as soon as possible, and certainly before the end of the year. Waiting until the next scheduled G-7 meeting next spring is too long."

FRANCE: "Too Little Too Late"

Dominique Bromberger told listerners of government-funded France Inter radio (10/5): "We live in a globalized economy and we cannot go back. It is high time the G-7 governments, who watched with impotence or indifference as the crisis spread, set up a system of international control. The Washington summit was only the beginning of a declaration of intention to get started on something. Frankly it is too little too late."

"Dancing On The Volcano"

Francoise Crouigneau maintained in right-of-center Les Echos (10/5): "The G-7 and the IMF were engaged in a dance over a smoldering volcano. Their mission was to find the antidote to the poison of uncertainty affecting world markets.... In spite of an obvious attempt to go beyond their traditional obtuse declarations, one wonders if the G-7 and the IMF, with their belated resolutions, will convince the markets."

GERMANY: "A Disappointing Summit"

Cornelia Wolber concluded in right-of-center Die Welt of Berlin (10/5): "One half of the world's economies are close to collapse. And the other half of the world, including the United States and Europe, is alarmed. Bundesbank President Hans Tietmeyer asserts that he considers the situation to be very serious...Tietmeyer wants to support tried and tested prescriptions--more transparency in the markets and responsible supervision of the banks in order to ensure that economic problems are detected regionally before they become crises.... The majority of U.S. politicians block such an increase because they believe that billions of dollars of aid to Asia and Russia did not bring any results and even worsened the situation.... It seems likely that financial markets will be disappointed by what was agreed upon at the summit.... One thing is certain: The name 'the new Bretton Woods' is not deserved."

ITALY: "The Big Seven Beget One Small Mouse"

Economic analyst Paolo Glisenti commetned in Rome's centrist Il Messsaggero (10/5): "The giant diplomatic effort produced in Washington over the last 48 hours...has given birth to the classic little mouse, and stock markets will reopen this morning in a more pessimistic atmosphere. The historic weekend of meetings among financial ministers confirmed the dramatic risks of the crisis rather than suggesting solutions.... The agreement reached over the White House proposal for new funds for the IMF appears like a tiny little step considering the huge problems we have to confront.... According to many experts, Clinton's proposal to provide new funds to the IMF...is aimed at saving Brasil and some other Latin American countries....

Little or nothing has been achieved by this solemn weekend...(which was) only a way to gain time as we wait for an agreement on the real theme which was at the center of closed-door meetings in Washington: the dramatic urgency for a radical reform of the international monetary system and multilateral institutions--the IMF and the World Bank."

"Ambiguous Message From G-7"

Giovanni Battista Bozzo filed from Washington for leading rightist opposition Il Giornale (10/5): "An ambiguous message emerges from the much awaited G-7 meeting: on one side, the need was confirmed to adopt expansive economic strategies; on the other side, there was not even the slightest reference to a coordinated reduction of interest rates. The word 'rates,' in fact, was not even mentioned."

BELGIUM: "G-7 Has No Sure-Fire Recipe Against Crisis"

Economic columnist Jan Bohets pointed out in independent Catholic De Standaard (10/5): "The leading Western countries have no effective means of coping with the financial crisis that is spreading over large parts of the globe. However...the G-7 did agree that the resources of the IMF must be replenished urgently. That implies, inter alia, that the U.S. Congress must be willing to participate in a capital increase of the IMF for an amount of $18 billion."

RUSSIA: "Can Russia Lure IMF Back?"

Georgy Osipov opined in reformist Segodnya (10/5): "So it is not clear why should Russia be given money. Messrs. Zadornov and Gerashchenko [the minister of finance and the head of the Central Bank] are not likely to come up with some sensational plan of urgent economic transformations just as the psychological attack on creditors is not likely to produce results.... It appears that all we can count on is to prevent the talks from being broken off and to lure a new IMF mission to Moscow. Hoping that by then the financial crisis will somehow take care of itself and that some contours of the budget and of the economic policy will appear."

SPAIN: "Insufficient Results"

Liberal El Pais judged (10/5): "The G-7 meeting in Washington has ended without having reached agreement on the adoption of coordinated measures to address the more-than-year-long financial crisis.... The G-7 and many of the developing countries most affected by the crisis agree that a coordinated decrease in interest rates and the creation of a special emergency fund administered by the IMF are needed. The solution proposed by Clinton has an Achilles' heel, however, in that not even those countries that have committed themselves to contribute to such a fund are prepared to come up with a penny until the United States antes up the amount it has pledged to the IMF. In the meantime, the results of the meeting have ended in pure rhetoric, as usual."

JAPAN: "Japan's International Pledge To Save Sustainable Banks"

Top-circulation, moderate Yomiuri's editorial argued (10/5): "The government must take the G-7 statement as the expression of the member nations' sense of urgency and irritation toward the slow response to the crisis by Japan's ruling and opposition parties. Miyazawa disclosed Japan's $30-billion aid plan for Asian countries whose economies are in tatters. It is only natural that Japan should contribute actively to these neighbors' economic stability and reconstruction. More important, however, as Secretary Rubin has pointed out, is for Japan to do whatever it takes to get its own economy back on track. The nation's financial assistance scheme will not have much impact if its economic recovery is not realized soon."

"Japan Held More Responsible For Averting A World Economic Crisis"

An editorial in the business-oriented Nihon Keizai insisted (10/5): "Japan has become a 'problem-plagued' G-7 member nation..... The G-7 nations are seriously concerned that Japan's failure to overcome its financial crisis or to get its economy back on track would create a simultaneous worldwide deflationary spiral. Economic and financial crises, which spread from Asian countries to Russia and Latin America, are now threatening the New York stock exchange. If an emerging 'hedge fund crisis' should have negative effects on the management of financial institutions and stock prices, an economic slowdown in the United States will probably be unavoidable. It will also certainly adversely affect the European economy."

HONG KONG: "Acting To Avert A World Slump"

Independent Hong Kong Standard noted in its (10/5) editorial: "There is quite a bit of selfishness in the way Japan, the United States and some other developed countries look at the problem. Unless the leaders of these countries adopt a more statesman-like approach to this global problem we shall see little headway being made.... It is only now, with the flames licking at Washington's doorsteps, that this new package has been welcomed. Such obstruction by the Untied States and the IMF have only
served to convince many Asians, rightly or wrongly, that Washington wants to impose a new form of imperialism on this region."

"Don't Get Too Excited"

The nationalistic Hong Kong Economic Times said in a (10/5) editorial: "The G-7 countries, so far, have focused only on their own interests.... The Asian countries have been waiting for 15 months for Clinton's suggestion to set up emergency funds. But don't get too excited about it because such a measure is designated only for those who might be affected by the crisis, not those who have been suffering from it."

MALAYSIA: "Malasia's Earlier Call Gaining Consensus"

Government-influenced, English-language New Straits Times had this editorial (10/5): "Precious time has been wasted during the denial phase of the West when it refused to recognize that the East Asian financial

turmoil is partly due to fundamental flaws in the international monetary system.... Clearly, the urgency for U.S. action in mounting reforms to the international monetary system is in the interest of its economy and that of other economies. Such reforms should include mechanisms to handle international capital flows, the provision of swift and effective ways to tackle any liquidity crisis, an efficient exchange regime and regulated currency trading. A restructuring of the World Bank and IMF is crucial to ensure their global capitalism. The IMF, provided it is transparent, has a valuable role to play in the global financial system. But its secretive workings, including the fact that the amount supplied to Mexico during the peso crisis far exceeded the amounts slowly made to East Asian countries, indicate it as lack of accountability. That its coffers has not not been replenished shows how it

is very much subject to the whims and fancies of the donor countries. The reforms needed should not be indicated by he interests of the mighty few."

THAILAND: "Only Meager Resolution In Washington Meetings"

Thongtam Natchamnong commented in popular Siam Rath (10/5), "The Washington meetings of the World Bank and IMF produced only a meager resolution. In order to solve the current economic crisis, the resolution goes, every country must stimulate its growth and create a proper financial environment. Translation: The G-7 member countries need to rebuild their economic strength. In the meantime, gasping developing countries will have to find some way on their own to survive. Once the G-7 have injected

enough money into their economies and regained their former strength, certain benefits will then trickle down to these poorer nations."

BRAZIL: "Complete Irrationality"

Center-right O Estado de Sao Paulo's lead editorial said (10/2): "The financial world has yielded to the most complete irrationality. The only consensus is regarding the need to reform the system. The way it is now, the international financial system is no good. The problem is how to reform it.... The IMF has an important role to play while supervising the whole system. The best thing to do is provide the institution with tools capable of predicting crises and acting so as to prevent them from occurring."

MILOSEVIC'S 'PEACE OFFENSIVE' SUSPECT

BRITAIN: "'Never Again' Again"

The centrist Independent had this op-ed commentary by Professor Mark Almond of Oxford University (10/04): "The West's thundering over atrocities in Kosovo will come to little... If NATO sent in ground forces to expel the Serbs, it would create the independent Kosovo demanded by the KLA and, frankly, almost all Albanians. This would destabilize Macedonia and other neighbors, and the West does not want that. In any case, risking ground troops in a two-front war to expel the Serbs and control the KLA is simply something NATO would be mad to do. So Kosovo will fester. A cold winter will calm the fighting but not diminish the antagonism and in the spring we

will hear the cries of 'never again' again."

"NATO Is On Trial"

The conservative Sunday Times observed (10/04): "The time for mixed signals is over; they have allowed Mr. Milosevic too much leeway already. He needs to be persuaded that the West has a political as well as a military strategy and that, unless he sues for peace in Kosovo NATO's air strikes will be followed by the arming of its separatists.... The United States and its allies have concocted too many pretexts for inaction. It is time to end the mismatch between Western power and its lack of a credible strategy. NATO is on trial as much as the Serb dictator. If it cannot force an end to continuing slaughter on its on its doorstep, as it eventually did in Bosnia, its weakness will be apparent to the whole world. Mr. Milosevic must be made to realize that cannot be allowed. The specter of Western weakness and vacillation looms large. For all our sakes, as well as Kosovo's, it must be dispelled."

"Try This Killer Now"

The liberal Observer held (10/4): "Milosevic has learned to manipulate the weakness of the international community, turning off the violence when the threat of military intervention comes too close. Last week, Europe and the United States trotted out their usual weary warnings and warmed up their jets; Milosevic once again stood down his troops. He will kill again until the world holds him responsible for his murderous acts."

FRANCE: "Temporary Peace At A High Price"

Renaud Girard in right-of-center Le Figaro (10/5): "War is temporarily halted in Kosovo. Under NATO's threat, Serbian units have withdrawn.... Some kind of order appears to have been restored in Kosovo, but at a very high price. Albanians are more than ever in favor of independence, and 20 000 Kosovars have left their native land without any hope of returning."

GERMANY: "Setting A Precedent"

In left-of-center Die Tageszeitung of Berlin, Ivan Ivanji opined (10/5): "The decision will be made this week whether NATO for the first time uses military force against a sovereign state which is violating human rights. This would set a precedent not comparable to the intervention in Iraq nor with Bosnia.... The humanitarian situation of the refugees will deteriorate dramatically, if the international aid organizations have to pull out of the country. Many Serbs would rally around Milosevic much more strongly than they already do.... The shuttle diplomacy of American Ambassador Christopher Hill would also be endangered.... The governments of some countries may want to make themselves look decisive, but the crisis cannot be solved by the use of missiles and bombs."

" Somewhat Less Vague"

In right-of-center Frankfurter Allgemeine, Werner Adam noted (10/5): "Once again, a massacre had to be discovered so that verbal warnings to Belgrade could be followed up with less vague warnings. Some in Moscow, in

return, are signaling what some Western capitals, including Bonn, had hoped for--that Russia would offer political, if not military support, for measures against Serbia.... [T]he Russian government under Prime Minister Primakov...is reproaching NATO for not acting without a UN mandate.... [But] no one can expect such a mandate, since Russia as well as China have veto powers. However, Moscow is no longer treating NATO's warnings as political talk without consequences. Sunday's visit by the Russian foreign and defense ministers to Milosevic is proof of this."

ITALY: "Another Wall To Be Brought Down In Serbia"

Aldo Rizzo in centrist, influential La Stampa noted (10/5): .It is possible that, before the U.N. Secretary General's report on the situation in Kosovo is made public, there will be an ambiguous 'peace offensive' (by Milosevic), an offer for a compromise. All of that, however, should not make the international community recede (from bringing)...'timely aid.'... Milosevic must realize that this is the end of the game for him after so many tricks and so much violence: he either seriously accepts respect for the law, or there will be war.... [W]ith or without a NATO intervention, there will never be real peace in the region until real democracy is achieved in Belgrade, and that there will not be real democracy while Slobodan Milosevic remains in power under whatsoever form....If there is a wall that has not fallen in Europe yet, it is the wall of the former Yugoslavia."

"In Kosovo, Italy Should Not Take a Middle-of-the-Road Position"

Antonio Gambino judged in Rome centrist Il Messaggero (10/3): "Something seems to have changed. The very tough position adopted by the United States over the last few days gives more consistency to the prospect of a military intervention.... Among European nations...Italy's position is not totally clear. When our Foreign Minister talks about the need for 'a mandate by the United Nations' does he intend to stick with the Russian position, or simply point to the need for a new resolution?... To seek a half-way agreement with those who intend to give a free hand to a systematic murderer of women and children would be a fatal mistake."

BELGIUM: "If The Americans Want it, And When They Decide it"

Edouard van Velthem in independent Le Soir commented (10/5): "Bill Clinton, at the end of the week, showed his 'great optimism as to a positive solution' of the crisis, in contrast to the common indignations of Paris, London and Bonn. This reserve certainly does not mean that the United States has given up the option of air raids to make Slobodan Milosevic yield, but that the United States intends to call the shots and seeks a decisive diplomatic advantage in the solution of the conflict. This 'go it alone' [attitude on an issue that is first [of all a] European one could irritate, or frustrate other negotiations."

DENMARK: "Action Is Necessary"

Centrist Kristeligt Dagblad observed (10/3): "In the past, we have used

our editorials to argue that a NATO attack would violate Serbian sovereignty, but now it appears that action is necessary to stop the war from escalating. We should not kid ourselves however, that a single air strike will solve the conflict. Military action ought to be followed up by peace-keeping initiatives, which also take the fate of Kosovo's Serb minority into consideration. Kosovo's Serbs risk being exterminated by the
Kosovo-Albanians if they are left unprotected. In short, the West should make it clear what it wants to achieve after an air strike. This is why NATO countries have been understandably hesitant on the issue."

FINLAND: "NATO Must Act"

Regional Aamulehti urged (10/3): "Milosevic has sneered at the world but the picture is not quite as simple as that.... The West sacrificed Kosovo. The West looked elsewhere when [Milosevic] began to discipline the Kosovo Albanians with a hard hand. This strategy now strikes back, not only in Kosovo but also in Bosnia, where the recent elections strengthened the position of the nationalists in every citizens group. This development is contrary to the Dayton agreement's intent. The moment of truth is drawing close. If policies that destroy Kosovo and deepen the human catastrophe there cannot be halted, NATO must act."

HUNGARY: "Kosovo Challenge"

Janos Avar in pro-government Magyar Nemzet's noted (10/3): "NATO has given an ultimatum not so much to Milosevic as to itself: should they, once

again, not retaliate to Belgrade's not complying with Security Council demands, the Atlantic alliance would become a laughingstock."

RUSSIA: "The West Is Prepared For Military Action In Kosovo"

Nikolai Zimin wrote in reformist Segodnya (10/3): "Because of the specific situation of the present American administration due to the series of scandals, its readiness for aggressive acts outside of the United States is greater than ever before. After all, military adventures overseas have long been regarded as a reliable means of switching the attention of the public and the electorate away from unpleasant domestic problems, be it a drop of production, growth of unemployment, or somebody's love affairs."."

SPAIN: "Milosevic Again"

Barcelona's centrist La Vanguardia judged (10/5): "The interpretation of the [UNSC resolution warning Milosevic of the use of force]...is not unanimous. The United States and Great Britain, for example, consider that it allows any use of force against Milosevic. But his ally, Russia, does not interpret it that way. And now Milosevic has invited UN Secretary General Kofi Annan to come to Belgrade with the intention of using him, as Saddam Hussein did, to avoid an

attack. But after seven months of acting with impunity against the Kosovars...Milosevic now deserves such an attack, if the West does not wish to see the tragedy of Bosnia repeated."

"Pound Milosevic"

Francisco Eguiagaray wrote in conservative ABC (10/4): "The images of the latest campaign of extermination and deportation...that we have recently seen, despite Serbia's attempts to censor them, demonstrate what those of us familiar with this situation already know, and what a NATO official has described as Serbia's 'incredible bloodlust' in its operations in Kosovo.... Milosevic creates the conflicts and crises, which make him a hero in the eyes of crazed Serbian nationalists.... And the results are there for all to see: the inanity of the attempts to constrain Milosevic without the decisive use of force.... The only question is: how long will the genocide go on?"

INDONESIA: "Firm Action Necessary to Settle Kosovo Issue"

Leading independent Kompas stated (10/3): "At last, NATO took firm action in Kosovo.... [But] it remains unclear as to whether NATO's strong message is sufficient to prevent more ruthless ethnic cleansing. Serb leader Milosevic continues to stubbornly stick to the notion that reports of Albanian massacres are mere hoaxes.... The Kosovo matter is an example how difficult it is for a nation to achieve peace and prosperity, if its leaders continue to mix narrow-minded personal vestigial interests with state affairs."

BRIEF

MALAYSIA: WILL 'REFORMASI' BE UNSTOPPABLE?

PHILIPPINES: "Boycott Kuala Lumpur"

Frankie Llaguno wrote in the independent Manila Times (10/5): "In openly sympathizing with Anwar Ibrahim, (Philippine President Joseph) Estrada joins what is turning out to be a global show of protest for the arrest and imprisonment of the 51-year-old would-be successor to Mahathir.... The off-the-cuff remarks of Estrada, although not originally intended for public consumption, have contributed to Mahathir's growing political isolation.... As a new ASEAN leader which is not part of Mahathir's old-boy network, he could add his voice to the junking of the constructive engagement policy in favor of human rights. That includes Anwar Ibrahim's rights as a prisoner of conscience."

THAILAND: "Reform Has Shown Its Face In Malaysia"

Pichai Chuensuksawadi commented in the top-circulation, moderately conservative Bangkok Post (10/5): "Dr. Mahathir...has shown he will use all his authority to do things his way. But he will not remain in power forever. There will come a day when he must step down.... Once the word 'reformasi' is uttered by a few, it will be uttered by hundreds, thousands and then tens of thousands. Change may take time, even decades as we here in Thailand have learned. But once unleashed, it cannot be stopped."

##========== ATTACHMENT 1 ==========

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05 Oct 1998 08:10:10 -0400 (EDT)
Received: by NOTES1.USIA.GOV(Lotus SMTP MTA v1.06 (346.8 3-18-1997))
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11 Ann Pincus, Director
Archived at: www.
usia.gov/products/medreac.htm

#Xn\ P6Qy&P#Monday, October 5, 1998

X` hp x G7 MEETING IN WASHINGTON: 'LITTLE OR NOTHING' ACHIEVED
X` hp x
A sense of pessimism pervaded foreign commentary over the weekend as
analysts
weighed in with their assessments of the results of the meeting of
G7 finance m
inisters and central bankers held in Washington on Saturday.
London's indepen

dent Financial Times summed up the view of most European observers, stating: " All in all, [the G7 meeting] has hardly been global economic diplomacy's finest hour." Rome's centrist Il Messaggero and others held that the "historic weeke nd...confirmed the dramatic risks of the crisis rather than suggesting solution s." Most European writers were convinced that "little or nothing" had been ach ieved on what they saw as the "real" theme of the Washington meetings, the "rad ical reform" of the IMF and the World Bank. Those discussing President Clinton 's proposal for a new fund within the IMF to assist the economies of financiall y threatened nations judged that the plan had an inborn "Achilles heel"namely t hat the president will have to convince a reluctant U.S. Congress to participat e in a "capital increase" of the IMF.

Comment from Asia and Latin America echoed the Europeans' pessimism. Tokyo pa pers said Saturday's communique was "an expression of the member nations' sense of urgency and irritation" at Japan's slow response in getting its own economy "back on track." Pundits in Hong Kong and Thailand spoke of the "selfishness" of the G7 nations' tardy response to the crisis and said that "meager solution s" from World Bank and IMF conferences meant that "gasping developing nations w ill have to find some way on their own to survive." A Malaysian paper judged t hat Prime Minister Mahathir's earlier critique of the global system was "gainin g consensus" and argued that "precious time has been wasted...[while the West] refused to recognize...fundamental flaws in the international financial system. " That paper and a Brazilian one called for reform and strengthening of the IM F.

MILOSEVIC'S 'PEACE OFFENSIVE' SUSPECT

Media in Europe and elsewhere viewed Serbian President Milosevic's "ambiguous peace offensive," including his agreeing to meet with U.S. Envoy Richard Holbro oke in Belgrade for talks later this week, as suspect. In

general, foreign com
mentators remain supportive of military intervention,
while expressing skeptici
sm about Mr. Milosevic's latest moves, apparently
to comply with UN resolutions
. Indonesia's leading independent Kompas
observed that it "remains unclear whe
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opinion continued to urge tough NATO action against the
Serbs to stop the
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Hu
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noncompliance.

BRIEF

Malaysia: Will 'Reformasi' Be Unstoppable?

EDITORS: Katherine Starr, Kathleen J. Brahney, Bill Richey

G7 MEETING IN WASHINGTON: 'LITTLE OR NOTHING' ACHIEVED

BRITAIN: "G7 Nations Try To Halt Slide To Depression"
X` hp x
The conservative Times said (10/5): "Fear of a meltdown in world stock
markets
and a decline into 1930sstyle economic depression has pushed the
world's leadi
ng finance ministers into making an unprecedentedly strong
demand for an urgent
and coordinated response to the current turmoil....
Finance ministers and cen
tral bank governors, badly rattled by the negative
reaction on Wall Street to l
ast week's cut in interest rates by the Federal
Reserve, were acutely aware of
expectations in the financial markets for
concrete action and feared the reacti
on if there was none."

"Direction But No Detail"

The lead editorial in the independent Financial Times noted (10/5): "The
G7 is
beginning to take on board the full significance of growing
international turm
oil. That, at least., was evident from the meeting of

finance ministers and ce
ntral bankers at the weekend. Unfortunately,
little else is clear. The G7 sta
tement signals a direction for reform of
the international financial architectu
re, but gives few details.... The
best that can be said is that the G7 laid ou
t a broad direction for
reform, involving greater transparency, beefedup survei
llance.... All in
all, it has hardly been global economic diplomacy's finest h
our. In the
absence of agreement, the G7 has called on its deputies to comple
te a
more detailed 'work plan' based on the broad agenda that has been laid out
.
If the G7 is serious about reforming the financial architecture, the
deputie
s must report back with a plan as soon as possible, and certainly
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X` hp x GERMANY: "A Disappointing Summit"

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RUSSIA: "Can Russia Lure IMF Back?"

Georgy Osipov opined in reformist Segodnya (10/5): "So it is not clear why sh
ould Russia be given money. Messrs. Zadornov and Gerashchenko [the minister of
finance and the head of the Central Bank] are not likely to come up with some
sensational plan of urgent economic transformations just as the psychological a
ttack on creditors is not likely to produce results.... It appears that all we
can count on is to prevent the talks from being broken off and to lure a new I
MF mission to Moscow. Hoping that by then the financial crisis will somehow ta
ke care of itself and that some contours of the budget and of the economic poli
cy will appear."

SPAIN: "Insufficient Results"
X` hp x

Liberal El Pais judged (10/5): "The G7 meeting in Washington has ended without having reached agreement on the adoption of coordinated measures to address the morethanyearlong financial crisis.... The G7 and many of the developing countries most affected by the crisis agree that a coordinated decrease in interest rates and the creation of a special emergency fund administered by the IMF are needed. The solution proposed by Clinton has an Achilles' heel, however, in that not even those countries that have committed themselves to contribute to such a fund are prepared to come up with a penny until the United States antes up the amount it has pledged to the IMF. In the meantime, the results of the meeting have ended in pure rhetoric, as usual."

JAPAN: "Japan's International Pledge To Save Sustainable Banks"

Topcirculation, moderate Yomiuri's editorial argued (10/5): "The government must take the G7 statement as the expression of the member nations' sense of urgency and irritation toward the slow response to the crisis by Japan's ruling and opposition parties. Miyazawa disclosed Japan's $30billion aid plan for Asian countries whose economies are in tatters. It is only natural that Japan should contribute actively to these neighbors' economic stability and reconstruction. More important, however, as Secretary Rubin has pointed out, is for Japan to do whatever it takes to get its own economy back on track. The nation's financial assistance scheme will not have much impact if its economic recovery is not realized soon."

"Japan Held More Responsible For Averting A World Economic Crisis"

An editorial in the businessoriented Nihon Keizai insisted (10/5): "Japan has become a 'problemplagued' G7 member nation..... The G7 nations are seriously concerned that Japan's failure to overcome its financial crisis

or to get its
economy back on track would create a simultaneous worldwide
deflationary spiral
. Economic and financial crises, which spread from
Asian countries to Russia
and Latin America, are now threatening the New
York stock exchange. If an emer
ging 'hedge fund crisis' should have
negative effects on the management of fina
ncial institutions and stock
prices, an economic slowdown in the United States
will probably be
unavoidable. It will also certainly adversely affect the Eur
opean
economy."

HONG KONG: "Acting To Avert A World Slump"

Independent Hong Kong Standard noted in its (10/5) editorial: "There is
quite
a bit of selfishness in the way Japan, the United States and some
other develo
ped countries look at the problem. Unless the leaders of
these countries adop
t a more statesmanlike approach to this global
problem we shall see little hea
dway being made.... It is only now, with
the flames licking at Washington's do
orsteps, that this new package has
been welcomed. Such obstruction by the Unt
ied States and the IMF have only
served to convince many Asians, rightly or wr
ongly, that Washington wants
to impose a new form of imperialism on this regio
n."

"Don't Get Too Excited"

The nationalistic Hong Kong Economic Times said in a (10/5) editorial: "The
G7
countries, so far, have focused only on their own interests.... The
Asian co
untries have been waiting for 15 months for Clinton's suggestion to
set up emer
gency funds. But don't get too excited about it because such a
measure is desig
nated only for those who might be affected by the crisis,
not those who have be
en suffering from it."

MALAYSIA: "Malasia's Earlier Call Gaining Consensus"

Governmentinfluenced, Englishlanguage New Straits Times had this
editorial (10

/5): "Precious time has been wasted during the denial phase of the West when it refused to recognize that the East Asian financial turmoil is partly due to fundamental flaws in the international monetary system.... Clearly, the urgency for U.S. action in mounting reforms to the international monetary system is in the interest of its economy and that of other economies. Such reforms should include mechanisms to handle international capital flows, the provision of swift and effective ways to tackle any liquidity crisis, an efficient exchange regime and regulated currency trading. A restructuring of the World Bank and IMF is crucial to ensure their global capitalism. The IMF, provided it is transparent, has a valuable role to play in the global financial system. But its secretive workings, including the fact that the amount supplied to Mexico during the peso crisis far exceeded the amounts slowly made to East Asian countries, indicate it as lack of accountability. That its coffers has not not been replenished shows how it is very much subject to the whims and fancies of the donor countries. The reforms needed should not be indicated by he interests of the mighty few."

THAILAND: "Only Meager Resolution In Washington Meetings"

Thongtam Natchamnong commented in popular Siam Rath (10/5), "The Washington meetings of the World Bank and IMF produced only a meager resolution. In order to solve the current economic crisis, the resolution goes, every country must stimulate its growth and create a proper financial environment. Translation: The G7 member countries need to rebuild their economic strength. In the meantime, gasping developing countries will have to find some way on their own to survive. Once the G7 have injected enough money into their economies and regained their former strength, certain benefits will then trickle down to these poorer nations."

BRAZIL: "Complete Irrationality"

Centerright O Estado de Sao Paulo's lead editorial said (10/2): "The financia
l world has yielded to the most complete irrationality. The only consensus is
regarding the need to reform the system. The way it is now, the internationa
l financial system is no good. The problem is how to reform it.... The IMF h
as an important role to play while supervising the whole system. The best thi
ng to do is provide the institution with tools capable of predicting crises an
d acting so as to prevent them from occurring."

X` hp x MILOSEVIC'S 'PEACE OFFENSIVE' SUSPECT
X` hp x
X` hp x BRITAIN: "'Never Again' Again"
X` hp x

The centrist Independent had this oped commentary by Professor Mark Almond of
Oxford University (10/04): "The West's thundering over atrocities in Kosovo wi
ll come to little... If NATO sent in ground forces to expel the Serbs, it woul
d create the independent Kosovo demanded by the KLA and, frankly, almost all Al
banians. This would destabilize Macedonia and other neighbors, and the West do
es not want that. In any case, risking ground troops in a twofront war to expe
l the Serbs and control the KLA is simply something NATO would be mad to do. S
o Kosovo will fester. A cold winter will calm the fighting but not diminish th
e antagonism and in the spring we will hear the cries of 'never again' again."

"NATO Is On Trial"

The conservative Sunday Times observed (10/04): "The time for mixed signals i
s over; they have allowed Mr. Milosevic too much leeway already. He needs to b
e persuaded that the West has a political as well as a military strategy and th
at, unless he sues for peace in Kosovo NATO's air strikes will be followed by t
he arming of its separatists.... The United States and its allies have concoct
ed too many pretexts for inaction. It is time to end the mismatch between West
ern power and its lack of a credible

strategy. NATO is on trial as much as the
Serb dictator. If it cannot
force an end to continuing slaughter on its on it
s doorstep, as it
eventually did in Bosnia, its weakness will be apparent to th
e whole world.
Mr. Milosevic must be made to realize that cannot be allowed.
The specter
of Western weakness and vacillation looms large. For all our sakes
, as
well as Kosovo's, it must be dispelled."

"Try This Killer Now"

The liberal Observer held (10/4): "Milosevic has learned to manipulate the
wea
kness of the international community, turning off the violence when the
threat
of military intervention comes too close. Last week, Europe and the
United Sta
tes trotted out their usual weary warnings and warmed up their
jets; Milosevic
once again stood down his troops. He will kill again until
the world holds him
responsible for his murderous acts."

FRANCE: "Temporary Peace At A High Price"

Renaud Girard in rightofcenter Le Figaro (10/5): "War is temporarily
halted in
Kosovo. Under NATO's threat, Serbian units have withdrawn....
Some kind of o
rder appears to have been restored in Kosovo, but at a very
high price. Albani
ans are more than ever in favor of independence, and 20
000 Kosovars have left
their native land without any hope of returning."
X` hp x
X` hp x GERMANY: "Setting A Precedent"

In leftofcenter Die Tageszeitung of Berlin, Ivan Ivanji opined (10/5):
"The d
ecision will be made this week whether NATO for the first time uses
military fo
rce against a sovereign state which is violating human rights.
This would set
a precedent not comparable to the intervention in Iraq nor
with Bosnia.... T
he humanitarian situation of the refugees will
deteriorate dramatically, if th
e international aid organizations have to
pull out of the country. Many Serb
s would rally around Milosevic much
more strongly than they already do.... Th

e shuttle diplomacy of American
Ambassador Christopher Hill would also be enda
ngered.... The governments
of some countries may want to make themselves look
decisive, but the crisis
cannot be solved by the use of missiles and bombs."

" Somewhat Less Vague"

In rightofcenter Frankfurter Allgemeine, Werner Adam noted (10/5): "Once
agai
n, a massacre had to be discovered so that verbal warnings to Belgrade
could be
followed up with less vague warnings. Some in Moscow, in
return, are signal
ing what some Western capitals, including Bonn, had hoped
forthat Russia would
offer political, if not military support, for
measures against Serbia.... [T]
he Russian government under Prime Minister
Primakov...is reproaching NATO for n
ot acting without a UN mandate....
[But] no one can expect such a mandate, si
nce Russia as well as China have
veto powers. However, Moscow is no longer tr
eating NATO's warnings as
political talk without consequences. Sunday's visit
by the Russian
foreign and defense ministers to Milosevic is proof of this."

ITALY: "Another Wall To Be Brought Down In Serbia"

Aldo Rizzo in centrist, influential La Stampa noted (10/5): .It is possible
th
at, before the U.N. Secretary General's report on the situation in Kosovo
is ma
de public, there will be an ambiguous 'peace offensive' (by
Milosevic), an offe
r for a compromise. All of that, however, should not
make the international co
mmunity recede (from bringing)...'timely aid.'...
Milosevic must realize that
this is the end of the game for him after so
many tricks and so much violence:
he either seriously accepts respect for
the law, or there will be war.... [W]i
th or without a NATO intervention,
there will never be real peace in the region
until real democracy is
achieved in Belgrade, and that there will not be real
democracy while
Slobodan Milosevic remains in power under whatsoever form....If
there is a
wall that has not fallen in Europe yet, it is the wall of the forme

r
Yugoslavia."

"In Kosovo, Italy Should Not Take a MiddleoftheRoad Position"

Antonio Gambino judged in Rome centrist Il Messaggero (10/3): "Something seem
s to have changed. The very tough position adopted by the United States over t
he last few days gives more consistency to the prospect of a military intervent
ion.... Among European nations...Italy's position is not totally clear. When
our Foreign Minister talks about the need for 'a mandate by the United Nations'
does he intend to stick with the Russian position, or simply point to the need
for a new resolution?... To seek a halfway agreement with those who intend to
give a free hand to a systematic murderer of women and children would be a fat
al mistake."
X` hp x

BELGIUM: "If The Americans Want it, And When They Decide it"
X` hp x
Edouard van Velthem in independent Le Soir commented (10/5): "Bill Clinton, at
the end of the week, showed his 'great optimism as to a positive solution' of
the crisis, in contrast to the common indignations of Paris, London and Bonn.
This reserve certainly does not mean that the United States has given up the op
tion of air raids to make Slobodan Milosevic yield, but that the United States
intends to call the shots and seeks a decisive diplomatic advantage in the solu
tion of the conflict. This 'go it alone' [attitude on an issue that is first [
of all a] European one could irritate, or frustrate other negotiations."

DENMARK: "Action Is Necessary"

Centrist Kristeligt Dagblad observed (10/3): "In the past, we have used our e
ditorials to argue that a NATO attack would violate Serbian sovereignty, but no
w it appears that action is necessary to stop the war from escalating. We shou
ld not kid ourselves however, that a single air strike will solve the conflict.

Military action ought to be followed up by peacekeeping initiatives, which al so take the fate of Kosovo's Serb minority into consideration. Kosovo's Serbs risk being exterminated by the KosovoAlbanians if they are left unprotected. I n short, the West should make it clear what it wants to achieve after an air st rike. This is why NATO countries have been understandably hesitant on the issue ."

FINLAND: "NATO Must Act"

Regional Aamulehti urged (10/3): "Milosevic has sneered at the world but the picture is not quite as simple as that.... The West sacrificed Kosovo. The Wes t looked elsewhere when [Milosevic] began to discipline the Kosovo Albanians wi th a hard hand. This strategy now strikes back, not only in Kosovo but also in Bosnia, where the recent elections strengthened the position of the nationalis ts in every citizens group. This development is contrary to the Dayton agreeme nt's intent. The moment of truth is drawing close. If policies that destroy K osovo and deepen the human catastrophe there cannot be halted, NATO must act."

HUNGARY: "Kosovo Challenge"

Janos Avar in progovernment Magyar Nemzet's noted (10/3): "NATO has given an ultimatum not so much to Milosevic as to itself: should they, once again, not r etaliate to Belgrade's not complying with Security Council demands, the Atlanti c alliance would become a laughingstock."

RUSSIA: "The West Is Prepared For Military Action In Kosovo"

Nikolai Zimin wrote in reformist Segodnya (10/3): "Because of the specific si tuation of the present American administration due to the series of scandals, i ts readiness for aggressive acts outside of the United States is greater than e ver before. After all, military adventures overseas have long been regarded as a reliable means of switching the attention of the public and the electorate a way from unpleasant domestic problems, be it a

drop of production, growth of un
employment, or somebody's love affairs."."

X` hp x SPAIN: "Milosevic Again"
X` hp x

Barcelona's centrist La Vanguardia judged (10/5): "The interpretation of the [
UNSC resolution warning Milosevic of the use of force]...is not unanimous. The
United States and Great Britain, for example, consider that it allows any use
of force against Milosevic. But his ally, Russia, does not interpret it that
way. And now Milosevic has invited UN Secretary General Kofi Annan to come to
Belgrade with the intention of using him, as Saddam Hussein did, to avoid an

attack. But after seven months of acting with impunity against the Kosovars...
Milosevic now deserves such an attack, if the West does not wish to see the tr
agedy of Bosnia repeated."

"Pound Milosevic"

Francisco Eguiagaray wrote in conservative ABC (10/4): "The images of the la
test campaign of extermination and deportation...that we have recently seen, de
spite Serbia's attempts to censor them, demonstrate what those of us familiar
with this situation already know, and what a NATO official has described as Ser
bia's 'incredible bloodlust' in its operations in Kosovo.... Milosevic create
s the conflicts and crises, which make him a hero in the eyes of crazed Serbia
n nationalists.... And the results are there for all to see: the inanity of th
e attempts to constrain Milosevic without the decisive use of force.... The on
ly question is: how long will the genocide go on?"

INDONESIA: "Firm Action Necessary to Settle Kosovo Issue"

Leading independent Kompas stated (10/3): "At last, NATO took firm action in
Kosovo.... [But] it remains unclear as to whether NATO's strong message is suff
icient to prevent more ruthless ethnic cleansing. Serb leader Milosevic contin

ues to stubbornly stick to the notion that reports of
Albanian massacres are me
re hoaxes.... The Kosovo matter is an example how
difficult it is for a natio
n to achieve peace and prosperity, if its
leaders continue to mix narrowminded
personal vestigial interests with
state affairs."

X` hp x BRIEF

MALAYSIA: WILL 'REFORMASI' BE UNSTOPPABLE?

PHILIPPINES: "Boycott Kuala Lumpur"
X` hp x
Frankie Llaguno wrote in the independent Manila Times (10/5): "In openly
sympa
thizing with Anwar Ibrahim, (Philippine President Joseph) Estrada
joins what is
turning out to be a global show of protest for the arrest and
imprisonment of
the 51yearold wouldbe successor to Mahathir.... The
offthecuff remarks of Est
rada, although not originally intended for
public consumption, have contribute
d to Mahathir's growing political
isolation.... As a new ASEAN leader which is
not part of Mahathir's
oldboy network, he could add his voice to the junking o
f the constructive
engagement policy in favor of human rights. That includes A
nwar Ibrahim's
rights as a prisoner of conscience."

THAILAND: "Reform Has Shown Its Face In Malaysia"

Pichai Chuensuksawadi commented in the topcirculation, moderately
conservative
Bangkok Post (10/5): "Dr. Mahathir...has shown he will use
all his authority t
o do things his way. But he will not remain in power
forever. There will come
a day when he must step down.... Once the word
'reformasi' is uttered by a fe
w, it will be uttered by hundreds, thousands
and then tens of thousands. Chang
e may take time, even decades as we here
in Thailand have learned. But once un
leashed, it cannot be stopped."

###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: 6-OCT-1998 12:02:00.00

SUBJECT: Daily Digest 10/6: GLOBAL FINANCIAL TURMOIL

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

TEXT:
A tone of pessimism pervaded the bulk of the commentary on the global financial situation over the past few weeks. The recent spate of high-level financial meetings in Washington over the weekend and into this week--involving officials from the G-7 and the newly christened G-22, and the annual meetings of the IMF and World Bank--did little to dispel feelings of foreboding about the world's economic state. Most commentators found common cause with Rome's centrist Il Messaggero, which contended that the "historic" weekend meeting of finance ministers of the G-7 nations had "confirmed the dramatic risks of the crisis rather than suggesting solutions." The "great diplomatic effort put forth by Washington," that paper averred, "has given birth to the proverbial little mouse." The G-7's agreement to explore a U.S.-backed proposal to create a new fund within the IMF to assist countries whose economies might be threatened by financial contagion, however, did evoke some positive comment. Singapore's pro-government Business Times, for example, greeted the plan as a "flash of inspiration" on the part of President Clinton, and urged that the proposal be given "due consideration." Contesting that view, a number of European sharply criticized the IMF and were less supportive of the plan. Munich's centrist Sueddeutsche Zeitung held that the "new rescue operation" had "generated suspicion, not only among the Europeans." Other writers

speculated that the plan had an inborn "Achilles heel," namely that the president will have to convince a reluctant U.S. Congress to participate in a "capital increase" of the IMF. Following are additional themes in the commentary:

G-7 MEETING: 'TOO LITTLE, TOO LATE'?--A majority of editorialists judged that the G-7 meeting was, in the words of London's Financial Times, "hardly...global economic diplomacy's finest hour." In addition to charges that the group had divulged "nothing concrete" about how it would act to stem global economic turmoil, some writers emphasized that the group was "belatedly" responding to the "crisis." Commentary from countries whose economies have suffered most severely from the turbulence expressed the conviction that, until the G-7 acts decisively, the "gasping developing countries will have to find some way on their own to survive."

JAPAN: 'TAKING CRITICISM TO HEART'--Dailies in Japan were sharply critical of their government and of the LDP and opposition parties for their failure to respond to that country's deepening economic woes. Business-oriented Nihon Keizai inveighed against the government for having "misdiagnosed" that country's economic health and having adopted "one misguided economic policy after another."

INTEREST RATES, HEDGE FUNDS, CURRENCY CONTROLS--Most analysts welcomed the Federal Reserve's reduction in the prime interest rate last week, but held that the 1/4-point cut was too "modest" to alleviate "distress" in markets overseas. Papers in Malaysia, South Korea and Thailand called for increased currency controls and the "reining in" of hedge funds.

This survey is based on 62 reports from 26 countries, September 22 - October 6.

EDITOR: Kathleen J. Brahney

EUROPE

BRITAIN: "Clinton Lays Down The Law"

The liberal Guardian had this from Washington (10/6): "President Clinton last night sought to take personal control of the effort to head off global financial meltdown by urging the world's finance ministers to act fast. He took the unusual step of meeting finance ministers to urge immediate steps to shore up international growth. The president's involvement in a gathering of finance ministers is highly unusual and was seen as a recognition of how seriously the present crisis is viewed by the White House."

"World's Most Pressing Problem"

The centrist Independent's lead editorial stressed (10/6): "Presidents and finance ministers meeting in Washington seem to have finally, and belatedly, come to the conclusion that there is a crisis in the world economy, that the international regulatory and lending institutions have failed to meet it, and that something drastic needs to be done.... It is also self-evident that the institutions that should have warned, if not actually coped with, this gathering crisis--the IMF, the World Bank and the

Bank of International Settlements--have singularly failed in their task....

But...if the international institutions have failed us, it has been as much a problem of leadership as of structure. This week sees the annual meetings of both the IMF and the World Bank. It is time that their chiefs, Michel Camdessus and James Wolfensohn, were called to account, and, in the former's case, replaced."

"Direction But No Detail"

The lead editorial in the independent Financial Times noted (10/5): "The G-7 is beginning to take on board the full significance of growing international turmoil. That, at least., was evident from the meeting of finance ministers and central bankers at the weekend. Unfortunately, little else is clear. The G-7 statement signals a direction for reform of the international financial architecture, but gives few details.... The best that can be said is that the G-7 laid out a broad direction for reform, involving greater transparency, beefed-up surveillance.... All in all, it has hardly been global economic diplomacy's finest hour. In the absence of agreement, the G-7 has called on its deputies to complete a more detailed 'work plan' based on the broad agenda that has been laid out. If the G-7 is serious about reforming the financial architecture, the deputies must report back with a plan as soon as possible, and certainly before the end of the year. Waiting until the next scheduled G-7 meeting next spring is too long."

"Follow The Fed"

The conservative Daily Telegraph observed (10/1): "The U.S. Federal

Reserve has shown well-judged caution in cutting interest rates by a modest quarter point. The global markets were plainly hoping for a bigger cut to alleviate distress in Latin America, Eastern Europe and [East Asia], but precipitous action at this stage might have smacked of panic.... It is testimony to the enormous prestige of Alan Greenspan that he had been able to convince the Fed to look beyond the United States and start paying attention to signs of a global credit crunch."

"Cold Comfort From The IMF"

The independent Financial Times judged in its lead editorial (10/1): "This weekend, therefore, the G-7 countries must work to ensure that their monetary stance is right for such turbulent times. The IMF is right to urge the United States and Europe to start easing interest rates to support growth and help restore calm."

FRANCE: "Need For Regulated Social Liberalism"

Jean Boissonat argued in regional Ouest France (10/6): "The United States was not able on its own to guarantee the well-being of the financial system born in the seventies. That is the system that needs to be rebuilt. If today's crisis serves only that end, it will have served a purpose. Bureaucratic socialism has not been shown to be the answer to anarchic liberalism. We are going to have to invent regulated social liberalism. The Clintons, Schroeders, Blairs, Jospins and Prodis of this world will

fail in their missions if they do not tackle this."

"Too Little Too Late"

Dominique Bromberger told listerners of government-funded France Inter radio (10/5): "We live in a globalized economy and we cannot go back. It is high time the G-7 governments, who watched with impotence or indifference as the crisis spread, set up a system of international control. The Washington summit was only the beginning of a declaration of intention to get started on something. Frankly it is too little too late."

"Dancing On The Volcano"

Francoise Crouigneau maintained in right-of-center Les Echos (10/5): "The G-7 and the IMF were engaged in a dance over a smoldering volcano. Their mission was to find the antidote to the poison of uncertainty affecting world markets.... In spite of an obvious attempt to go beyond their traditional obtuse declarations, one wonders if the G-7 and the IMF, with their belated resolutions, will convince the markets."

"Alan Greenspan: A Questionable Decision"

Pierre-Antoine Delhommais commented in left-of-center Le Monde (10/1): "European politicians will without a doubt salute Alan Greenspan's decision (to lower the prime interest rate.]... But...the decision, far from calming things down, could lead to increased concern among investors....

It is never good to react under pressure. Yet this is what Alan Greenspan has chosen to do."

"Caution"

Philippe Mudry noted in centrist La Tribune (9/30): "It is...understandable if Alan Greenspan chose to exercise caution.... Maybe he is afraid of sending too strong a signal of concern to the financial markets, suggesting that other LTCMs (hedge funds) may be waiting in the wings.... For the time being, Wall Street's reaction proves that Greenspan's decision is not enough to calm down the markets."

GERMANY: "The Rich Countries--Clueless"

Centrist Sueddeutsche Zeitung of Munich featured this commentary (10/6) by Helga Einecke: "With a lot of fanfare, Bill Clinton called for a new rescue operation for countries in crisis. It was his suggestion to create the G-22 group in which established industrialized countries meet with emerging economies to discuss new strategies. Such an action plan generated suspicion, not only among the Europeans. For months, the Americans have been refusing to give the IMF more money to deal with the management of financial crises. Some American politicians dislike a proposal from the French, who want to strengthen their influence in the IMF. Paris is hoping for support from the future German Chancellor Gerhard Schroeder who will soon visit the White House. British Prime Minister Tony Blair likes to talk about a new architecture for the global financial system, but he does not offer any concrete suggestions.... The

next test case will be Brazil.... Brazil poses a new opportunity for reasonable action--by private donors, by reformers in all countries, and by the American Congress."

"A Disappointing Summit"

Cornelia Wolber concluded in right-of-center Die Welt of Berlin (10/5): "One half of the world's economies are close to collapse. And the other half of the world, including the United States and Europe, is alarmed. Bundesbank President Hans Tietmeyer asserts that he considers the situation to be very serious...Tietmeyer wants to support tried and tested prescriptions--more transparency in the markets and responsible supervision of the banks in order to ensure that economic problems are detected regionally before they become crises.... The majority of U.S. politicians block such an increase because they believe that billions of dollars of aid to Asia and Russia did not bring any results and even worsened the situation.... It seems likely that financial markets will be disappointed by what was agreed upon at the summit.... One thing is certain: The name 'the new Bretton Woods' is not deserved."

"No Panacea"

Centrist Maerkische Allgemeine Zeitung of Potsdam had this editorial view (10/1): "For the U.S. economy, the decision of the Fed to lower interest rate is favorable. And if the U.S. economy grows, Europe will profit, too. But a global race to lower interest rates would do little to stop the looming recession about which the IMF spoke yesterday. It would not give a boost to the economy but would heat up inflation."

ITALY: "The 'Bigs' Of The World Are Rather Small"

According to an editorial in provocative, classical liberal Il Foglio (10/6): "The Asian stock markets reacted negatively to the G-7's conclusions.... [President Clinton's] proposal to set up a special fund...was disregarded. Indeed, it would be enough that the American Congress pays its $18 billion dues to the IMF to unblock $90 billion from other countries.... Clinton's request to the Europeans to cut their interest rates...was rejected.... In other words, the idea of a concerted effort on a world scale has not found much room."

"The Big Seven Beget One Small Mouse"

Economic analyst Paolo Glisenti commented in Rome's centrist Il Messsaggero (10/5): "The giant diplomatic effort put forth in Washington over the last 48 hours...has given birth to the proverbial little mouse, and stock markets will reopen this morning in a more pessimistic atmosphere. The historic weekend of meetings among financial ministers confirmed the dramatic risks of the crisis rather than suggesting solutions.... The agreement reached over the White House proposal for new funds for the IMF looks like a tiny little step, considering the huge problems we have to confront.... According to many experts, Clinton's proposal to provide new funds to the IMF...is aimed at saving Brasil and some other Latin American countries.... Little or nothing has been achieved by this solemn weekend...(which was) only a way to gain time as we wait for an agreement on the real theme which was at the center of closed-door meetings in Washington: the dramatic urgency for a radical reform of the international

monetary system and multilateral institutions--the IMF and the World Bank."

"Ambiguous Message From G-7"

Giovanni Battista Bozzo filed from Washington for leading rightist opposition Il Giornale (10/5): "An ambiguous message emerges from the much awaited G-7 meeting: on one side, the need was confirmed to adopt expansive economic strategies; on the other side, there was not even the slightest reference to a coordinated reduction of interest rates. The word 'rates,' in fact, was not even mentioned."

"Specter Of Global Recession Lands In Washington"

New York correspondent Autro Zampaglione filed this for left-leaning, influential La Repubblica (10/2): "The specter of international economic recession is landing in Washington along with the ministers and bank governors who, beginning tomorrow, will try to save economies and stock markets, currencies and savings."

"Differing Visions"

Mario Platero wrote from Washington in leading business daily Il Sole-24 Ore (10/2): "In addition to Michael Camdessus, yesterday we also heard U.S.

Treasury Secretary Rubin, who made the umpteenth promise of a reform of the monetary system without offering details; we heard Fed Chairman Greenspan defend the last-minute rescue of the Long Term Capital Management. And their languages were different at a time when the G-7 should instead speak with a single voice.... At least for the time being, a different vision between the United States and Europe regarding interest rates was confirmed yesterday. And the fact that Japan is reproposing its idea of a special Asian fund, already rejected last year, confirms that everybody seems to proceed independently within the G-7."

RUSSIA: "Vicious Circle"

Maxim Filimonov noted in reformist Vremya-MN (10/6): "The outcome of the negotiations [with the IMF] is anybody's guess. Things have come full circle: Russia cannot draft a program until it knows for sure whether or not the West will disburse; the IMF cannot disburse money until it knows the government's program. Quite possibly, as often before, the Washington talks will end with the usual assurances of the parties that 'common sense has prevailed.' But once the experts begin work on the concrete terms of the issue of loans work will drag out for many months. And the government must decide soon out of what sources it will pay pensions, wages and salaries to soldiers, prepare for the winter and finance military orders."

"After You, Doctor"

Marina Borisova had this to say in reformist Vremya-MN (10/2): "But in all his speeches [IMF Director Camdessus] plugged the same line: IMF

resources are down to a dangerously low point. To give timely assistance to needy countries quotas have to be increased.... But the donors, above all the Americans, have put their foot down. From the start of the world crisis, the IMF has funneled $141 billion into troubled countries. This brought nothing but growing tensions, economic instability and more turmoil. The U.S. Congress has refused to grant an additional $18 billion to the Fund.... No one is in a hurry to shell out money to finance another stabilization program of young and not-so-young reformers."

BELGIUM: "Missed Opportunity"

Financial Financieel-Economische Tijd had this comment by foreign affairs writer Carl Pansaerts (10/6): "The intensive talks in recent days in Washington did not yield what one was allowed to expect from them. The G-7, G-10 and Interim Committee missed an opportunity to send a strong signal to the world. They skipped the chance to point out the homework and responsibility of everyone in clear and, if need be, strong words. Given the painful circumstances, that would have been easier than ever before. Too bad that that opportunity was not seized in Washington."

"G-7 Has No Sure-Fire Recipe Against Crisis"

Economic columnist Jan Bohets pointed out in independent Catholic De Standaard (10/5): "The leading Western countries have no effective means of coping with the financial crisis that is spreading over large parts of the globe. However...the G-7 did agree that the resources of the IMF must be replenished urgently. That implies, inter alia, that the U.S. Congress must be willing to participate in a capital increase of the IMF for an amount of $18 billion."

DENMARK: "Clinton's Bind"

Center-right Berlingske Tidende featured this editorial (10/6): "Bill Clinton has proposed that new borrowing mechanisms be introduced to help countries suffering from the financial crisis. It is unlikely, however, that Clinton will be able to convince Congress of the need to inject more money into the IMF. Congressional skepticism is, unfortunately, not without foundation. IMF loans place very tough demands on borrowers, and these could be hard to bear for countries which are already under heavy economic pressure."

POLAND: "Every Person For Himself"

Krzysztof Bien asserted in centrist Rzeczpospolita (10/5): "The healing package the G-7 is proposing to cure the ailing world finances is not much different from the recipes used so far.... There is no talk about coordinated action by the most wealthy nations to cut interest rates. In short, the solution to the crisis is as follows: Everyone must help himself first."

"Specter Of Recession Encircles Globe"

Milosz Weglewski observed in liberal Gazeta Wyborcza (10/3-4): "The threat of global collapse is increasingly real.... The way out from this closed circle must be through determined and coordinated efforts by the governments...central banks and international financial institutions; through the general relaxation of monetary policy aimed at stimulating production and demand, to rational programs of financial assistance for the worst struck countries. Whereas this action will not heal the situation overnight, it will help restore the investors' confidence in financial markets, thus adding to their stabilization. And this will be a milestone in dispelling the specter of recession."

SPAIN: "Insufficient Results"

Liberal El Pais judged (10/5): "The G-7 meeting in Washington has ended without having reached agreement on the adoption of coordinated measures to address the more-than-year-long financial crisis.... The G-7 and many of the developing countries most affected by the crisis agree that a coordinated decrease in interest rates and the creation of a special emergency fund administered by the IMF are needed. The solution proposed by Clinton has an Achilles' heel, however, in that not even those countries that have committed themselves to contribute to such a fund are prepared to come up with a penny until the United States antes up the amount it has pledged to the IMF. In the meantime, the results of the meeting have ended in pure rhetoric, as usual."

"Save Yourselves Those Who Can"

Conservative ABC commented (10/5): "For some...the meeting resulted in agreements that will work miracles, stimulating markets and establishing a foundation for global cooperation in addressing the world's multiple financial crises. For others...the financial summit ended with nothing in concrete to address those crises.... What everyone did agree to...is to blame everyone else for the crisis while muttering under their breath: 'Save yourselves those who can.'"

"The IMF Backtracks"

Independent El Mundo noted (10/1): "The Federal Reserve's decision to cut [the Federal funds rate] by 1/4-point has not only not restored confidence to international markets, but has actually accentuated doubts about United States' capability to take over the direction of the global economy.... Today, much more than a 1/4-point rate cut is required; the IMF needs to play an active role in addressing the crisis by coordinating the policies of the most wealthy countries and by providing the leadership that Clinton appears unable to supply."

"Japanese Time Bomb"

Independent El Mundo noted (9/27): "If Japan does not react within the next few months and its situation becomes even more serious, then the United States and Europe will have real cause for concern. Another drop in the yen or the repatriation of funds invested in U.S. Treasury bonds could

destabilize the world economy and bring on a global recession."

SWEDEN: "Greenspan's Signal?"

Business Dagens Industri had this editorial (10/1): "By the recent decision, the Fed assumed special responsibility. Greenspan has now put the American economy, which is very close to being overheated, in some danger.... For the first time during the latest financial crisis, Washington has in deeds given the signal that the business of the surrounding world is also that of the United States."

EAST ASIA AND PACIFIC

JAPAN: "Public Funds Must Be Infused Into Ailing Banks Expeditiously"

Business-oriented Nihon Keizai's chief editorial writer Akira Kojima, penned this front-page commentary (10/6): "Non-performing loans, accumulated by Japanese banks, have not only created a credit crunch but have made the state of the national economy even more critical. Given the present circumstances, top G-7 financial officials, meeting in Washington, urged Japan to take swift action to infuse public money into ailing but sustainable financial institutions. Japan must not react negatively to this 'urgent' G-7 request as external pressure ('gaiatsu.')... Both the government and the LDP, as well as opposition party officials, are to blame for their lack of a sense of urgency. Since the collapse of Japan's 'bubble economy,' the government has 'misdiagnosed' the nation's economic health and adopted one 'misguided' policy after another, thus creating an

economic crisis.... Relief measures must be taken as expeditiously as possible before these institutions actually go under.... The problem of settling the bad loan issue has been neglected for such a long time that there no longer exist satisfactory or convincing solutions to the problem. One thing is clear.... Japan's failure to reinvigorate these financial institutions at an early date will only hurt the actual state of the national economy and bring the nightmare of a global economic and financial crisis closer."

"Taking Criticism To Heart"

Top-circulation, moderate Yomiuri's editorial argued (10/5): "The government must take the G-7 statement as the expression of the member nations' sense of urgency and irritation toward the slow response to the crisis by Japan's ruling and opposition parties."

"Japan Held More Responsible For Averting World Economic Crisis"

An editorial in business-oriented Nihon Keizai insisted (10/5): "Japan has become a 'problem-plagued' G-7 member nation.....

"The G-7 nations are seriously concerned that Japan's failure to overcome its financial crisis or to get its economy back on track will create a simultaneous worldwide deflationary spiral."

"Focus Will Be On Japan Problem"

Liberal Mainichi Shimbun's Wakamatsu pointed out (10/2): "There are voices calling for Japan, first and foremost, to put its economy and banking industry in order.... It is likely that Miyazawa will be pressured to produce extra economic stimuli, in addition to the already announced 10 trillion yen-plus supplementary budget and 7 trillion yen worth of tax reductions."

CHINA: "G7 Fails To Take Lead In Turmoil"

Official English-language China Daily commented (10/6): "Financial leaders in search of bold solutions to the global economic chaos wrapped up another weekend of talks offering little more than vague promises and conflicting ideas on what they should do next. The failure of the G-7 finance ministers and central bankers to produce decisive action and present a united front against the threat of a financial meltdown slowly sank in. And jittery world markets were prepared for disappointment when they reopened yesterday. The strained relations between Washington and Tokyo also showed few signs of improvement following the high-level talks as the G7 urged Japan again to pull itself up by the bootstraps and get its ailing, debt-ridden financial sector sorted out."

HONG KONG: "Acting To Avert A World Slump"

Independent Hong Kong Standard noted in its editorial (10/5): "There is quite a bit of selfishness in the way Japan, the United States and some other developed countries look at the problem. Unless the leaders of these countries adopt a more statesman-like approach to this global problem we shall see little headway being made.... It is only now, with

the flames licking at Washington's doorsteps, that this new package has been welcomed. Such obstruction by the United States and the IMF have only
served to convince many Asians, rightly or wrongly, that Washington wants to impose a new form of imperialism on this region."

"Don't Get Too Excited"

The nationalistic Hong Kong Economic Times said in an editorial (10/5): "The G-7 countries, so far, have focused only on their own interests.... The Asian countries have been waiting for 15 months for Clinton's suggestion to set up emergency funds. But don't get too excited about it because such a measure is designated only for those who might be affected by the crisis, not those who have been suffering from it."

AUSTRALIA: "IMF Must Have Support"

The national business-oriented Australian Financial Review opined (10/6): "Beyond a broad pledge of intensified cooperation to keep the global economy growing, the G7's finance ministers and central bankers failed at their weekend meetings to offer anything substantially new to calm the global panic. The most effective way to contain the crisis still remains with the IMF, which holds its annual meetings today in Washington. As demonstrated by the therapy in Mexico, Thailand and South Korea, IMF-style packages can work. The IMF may have failed to anticipate much of Asia's turbulence. It may have even prescribed imperfect policy solutions. But its programs--fully supported by an engaged United States and reform-minded

Japan--remain the best antidote to global economic instability."

"Soothing Cut From The Fed"

The national, business-oriented Australian Financial Review judged (10/1): "By cutting rates now, the Fed has signaled to the financial markets that it is ready to respond to the international financial crisis, even though domestic U.S. economic conditions still argue against any cut in rates. In doing so, the Federal Reserve has bought itself and the IMF crucial time.... In this calmer atmosphere, the G-7 finance ministers, the IMF and the World Bank have a better opportunity to massage confidence, by strengthening their commitments to the unsteadiest of the Latin American dominoes."

INDONESIA: "Jakarta Should Not Copy Malaysia's Capital Controls"

An op-ed piece by Eddy Suparno in the leading, independent Jakarta Post held (9/29): "It is...imperative for Indonesia to remain attractive to foreign investment by not reducing economic freedoms through misguided attempts to control international markets. It is equally important to realize that movements of capital...are a reflection of a country's economic fundamentals. In the event of an economic upswing the amount of capital inflow automatically increases, taking advantage of a favorable

'money making' environment. Naturally, in a downturn the movement of capital travels reverse. Therefore, it would make more sense to overhaul the problems in a country's fundamentals rather than go through the pains of curbing the flow of capital."

MALAYSIA: "Malaysia's Earlier Call Gaining Consensus"

The government-influenced, English-language New Straits Times had this editorial (10/5): "Precious time has been wasted during the denial phase of the West when it refused to recognize that the East Asian financial turmoil is partly due to fundamental flaws in the international monetary system.... Clearly, the urgency for U.S. action in mounting reforms to the international monetary system is in the interest of its economy and that of other economies. Such reforms should include mechanisms to handle international capital flows...an efficient exchange regime and regulated currency trading. A restructuring of the World Bank and IMF is crucial to ensure their global capitalism. The IMF, provided it is transparent, has a valuable role to play in the global financial system. But its secretive workings, including the fact that the amount supplied to Mexico during the peso crisis far exceeded the amounts slowly made to East Asian countries, indicate its lack of accountability. That its coffers has not not been replenished shows how it is very much subject to the whims and fancies of the donor countries. The reforms needed should not be indicated by the interests of the mighty few."

"Urgent Need For Reforms"

The government-influenced Business Times urged (9/23): "The major economic powers should lend more than their ears to British Prime Minister Tony Blair's call for a 12-month deadline on global financial reforms.... The longer [the rich nations] take to agree upon a way to overhaul the Bretton Woods' agreement, the harder the impact of the financial crisis will be upon businesses and economies in the West."

SINGAPORE: "Clinton's Flash Of Inspiration"

The pro-government Business Times' editorial observed (10/6): "The new U.S. proposal for a mechanism to provide emergency finance to help vulnerable nations ward off global financial contagion won predictable support from the Group of Seven (G-7) leading industrialized countries. But the hard truth is that, apart from Japan's proposal for a $30-billion fund to help Asian countries in crisis, there is really little on offer. In fact, the Japanese officials have every right to complain that America's latest flash of inspiration is similar to their own proposal a year ago which was rejected by Washington then....

"Certainly, Mr. Clinton's proposal should be given due consideration. But much water has flowed under the bridge since last September.... It is a pity the Clinton administration could not see beyond its nose 12 months ago when there was a better chance of averting a global recession."

"Japan Acts Like A Leader"

According to the pro-government Straits Times (10/2): "Japan's plan to extend about $30 billion in aid, mainly to Southeast Asian nations, is a

reminder of the economic role which it can play to pull the region out of its crisis.... Finance Minister Kiichi Miyazawa's aid plan...should do much to assuage regional concerns.... That said, Japan must follow up on its initiative by tackling its domestic problems. A stricken economy prevents it from absorbing the exports which Asian countries desperately need to make to sell their way out of the crisis. And Japan cannot grow unless it goes ahead, among other things, with banking reforms that have been hobbled by differences between its political parties."

SOUTH KOREA: "Homework For G-7"

Reporter Lee Sang-won observed in moderate Hankook Ilbo (10/2): "The world is facing an urgent need to reorganize the global financial system currently in place and also to restrict the flow of hedge funds.... On the issue of hedge funds...the cry for change is increasingly persuasive because many have come to realize that hedge funds have to be restricted.... The United States has been largely passive in addressing this issue, understandably so because Wall Street continues to be the home to most of these funds, and 95 percent of their profits flow into the United States. It now seems Washington understands how damaging these funds have been.... Will the United States really stop being selfish and rein in these hedge funds?"

"U.S. Cuts Interest Rates Less Than Expected"

According to an editorial in independent Dong-A Ilbo (10/1): "The action comes across as a signal of U.S. determination that it will no longer

ignore the economic crisis facing the world, though its primary goal seems to be the prevention of an economic recession in the United States. Unfortunately, the cut was...probably too small to produce any real effect on the world.... A further cut seems to be required, and it would be much better for Washington to do so as fast as possible.... While the cut obviously fell short of our expectations, it will give us an opportunity to increase exports and to stabilize our foreign exchange market."

"U.S. Rate Cut And South Korea's Reaction"

Independent Hankyoreh Shinmun told its readers (10/1): "While the U.S. rate cut is unlikely to have an enormous impact because of the meagerness of the cut, it does have significance because it signals that the United States has finally begun to address the economic issue. Its psychological impact...will not be insignficant."

THAILAND: "Only Meager Resolution In Washington Meetings"

Thongtam Natchamnong commented in popular Siam Rath (10/5), "The Washington meetings of the World Bank and IMF produced only a meager resolution. In order to solve the current economic crisis, the resolution goes, every country must stimulate its growth and create a proper financial environment. Translation: The G-7 member countries need to rebuild their economic strength. In the meantime, gasping developing countries will have to find some way on their own to survive. Once the G-7 have injected enough money into their economies and regained their former strength, certain benefits will then trickle down to these poorer nations."

"No Enthusiasm For Brake On Hedge Funds"

Pichian Kurathong commented in elite Matichon (10/3), "Apparently, the G-7 does not seem very enthusiastic about putting the brake on hedge funds. Instead, the G-7 is likely to stick to its liberalization doctrine and continue to give a free hand to these Western hedge funds to operate in and dominate emerging economies infatuated by the lure of foreign capital inflow."

"Time To Draw Up New Financial Blueprint"

The lead editorial of independent, English-language Nation maintained (10/2): "[The United States] has been forced to eat its words about transparency, governance and non-state intervention as a result of the rescue of a big hedge fund on Wall Street which has an investment exposure of more than 200 billion, larger than many Asian economies combined. The rescue was necessary because of a threat of systematic risk--the very thing that Thailand and other Asian nations have been worried about in the past 12 months. The best thing that the G-7 or G-22 countries...[and] members of the IMF and the World Bank can do now is to put the squeeze on Wall Street...and draw up a new blueprint for the world financial system based on the economics of trade, investment and employment."

SOUTH ASIA

INDIA: "Economic Storm Watch"

The centrist Times of India told its readers in an editorial (10/5): "The U.S. Federal Reserve's reduction of the interest rate last week has not yielded positive results, and the G-7 countries met last weekend to consider the steps to stabilize the present situation.... The world has to wait for the collective wisdom of the G-7.... One hopes that in addressing the systemic problems underlying the current crisis, they will give due consideration to the financial speculators who play havoc with national economies based on vulnerable currencies.... Thanks to the fact that India did not globalize as fast as some advocated, it has to an extent been protected so far from the global economic turmoil affecting other Asian and Latin American countries. That might not be for long, though; the spillover is bound to affect the Indian economy."

PAKISTAN: "Pakistan Caught In Double Bind With IMF"

The centrist News featured this op-ed column by Imtiaz Aziz (10/2): "The package Pakistan is currently negotiating with the IMF will not be enough to meet the balance of payments crisis. Even if it gets a sufficient financial cushion in exchange for major concessions on its nuclear program, it will be a short-term measure. But it will also be not a free lunch as [is] desired by the Sharif administration. It will accompany tough conditionalities. Mr Sharif [would] like to postpone the economic crisis without paying the political cost for a tough package. He may be ready to concede much on the non-proliferation agenda in the hope of...a package

that will not ask for much belt-tightening by a crony-capitalism. But the possibility of such a quid pro quo was lost on May 28 when he decided to detonate. Even if it happens, what about next year?"

LATIN AMERICA AND CARIBBEAN

BRAZIL: "Diverging Views"

Independent Jornal da Tarde's economic columnist Celso Ming emphasized (10/6): "There is a clear willingness among the great powers to help the emerging nations, especially Brazil.... But they do not know how to act. In the G-7 such support is so far stuck in rhetoric. The U.S. government is clearly moving to strengthen the IMF and enlarge its functions.

"But...officials both in France and England are maneuvering to transform the EU into an alternative hegemonic nucleus. Instead of supporting the IMF, they have insisted on the need of deepening the mechanisms of bank supervision."

"Power Scheme Will Remain Unchanged"

An editorial in center-right O Estado de Sao Paulo judged (10/5): "Obviously, at stake is a choice between the two ways to negotiate financial reform. The traditional way, preferred by the U.S. government, is to keep the major decisions in the G-7 environment. There may be sessions of a G-22 with the presence of ministers of 15 emerging economies, but this expansion, in practice, will not in any way alter the

power scheme. The most powerful it seems will continue, deciding the major issues, with general oversight provided by the United States."

"Complete Irrationality"

Center-right O Estado de Sao Paulo's lead editorial said (10/2): "The financial world has yielded to the most complete irrationality. The only consensus is regarding the need to reform the system. The way it is now, the international financial system is no good. The problem is how to reform it.... The IMF has an important role to play while supervising the whole system. The best thing to do is provide the institution with tools capable of predicting crises and acting so as to prevent them from occurring."

"Through Difficulties To New Growth"

Center-right O Estado de Sao Paulo (9/28) said: "Just a few days before the IMF annual meeting, the major international leaders begin to realize that the industrialized economies are not immune to disasters. U.S. financial institutions have begun to suffer the same evils which up to now have been reserved for the group of the so-called emerging economies in need of emergency assistance. If the Russian disaster produced turbulent waves, the fall of Brazil would affect even more the international economy,
making irresistible the contagion of those who up to now were kept relatively immune. The Brazilian government moves with caution, but with signs of determination. It is understood that if it manages to pass this

phase of difficulties, even with sacrifices, the country's international image in the international economic and political scene will be reinforced, opening the way to a new phase of growth in the future."

"Crisis Has Exploded In The U.S."

The lead editorial in independent Jornal da Tarde (9/27) said: "In addition to exploding the crisis in the very heart of the world's financial center, in Wall Street, the spectacular blast of the LTCM...has buried for ever the credibility of the on-going systems of financial control. If it was possible for such a blast to occur under the eyes of no one less than Alan Greenspan, without anyone suspecting anything before it was too late, it is because no one is safe under the current 'norms of financial security.' This episode will certainly determine the beginning of an immediate review of all rules guiding the system of international finance and a revocation of the practices sustained by mathematic abstractions, which have prevailed over the more orthodox formulas of the recent past."

"Getting Used To The Crisis"

Independent Jornal da Tarde's economic analyst stressed (9/23): "After three weeks of panic, there is a worrisome feeling that Brazil and the opinion makers are much too accustomed to the crisis.... The responsibility to find a solution is being gradually transferred to the G-7...the IMF...and the central banks of the superpowers.... The risk is that the federal government [of Brazil] and the politicians will cross

their arms and put aside the tough and inevitable distribution of bills to be paid."

ARGENTINA: "Swings And Roundabouts"

An editorial in the liberal, English-language Buenos Aires Herald stressed (10/3): The main reason for the gloom is the increasing certainty of a world recession--quite apart from such major trouble spots as Japan, Russia and Brazil, the crisis has now reached Europe.... The figures involved are truly terrifying--the crisis has cost the world some $600 billion dollars so far this year and the exposure of the LTCM hedge fund now in trouble is $200 billion, there are no less than 4,000 hedge funds.... Stock exchanges seem to have become an end in themselves and a veritable casino for the likes of derivatives. Yet while such problems seem beyond the IMF or even the Federal Reserve, imaginative solutions must be available for each country's problems on the basis of such assets as Russian gold; Japanese capacity or Brazilian privatizations."

MEXICO: "Swift Action Needed"

According to an editorial in nationalist, pro-government Excelsior (10/5): "It is regrettable that industrialized nations to fail to react as swiftly as necessary to the international financial situation, and also to fail to realize that a collapse in their clients would bring about market stagnation. President Clinton has realized the serious consequences of such stagnation and has demanded concrete actions. However, he is at a disadvantage because he faces an adversarial Congress that is carrying out

a dirty war against the U.S. executive."

CHILE: "U.S. Role In Solving Global Crisis"

Financial El Diario concluded (9/22): "The decisions the United States makes in the remaining months of the year will be decisive for the recovery of the global economy.... A wise, and at the same time pragmatic, decision indicates that the Federal Reserve will have to gradually begin lowering interest rates in November to decrease the costs of financing leading businesses in developed nations. But the role of the United States in reinvigorating and balancing the world economy does not end there. The support that the United States can provide through the IMF is also important.... The U.S. Congress must be aware that the conquest of new markets is directly linked to the healing of the most affected economies. The IMF urgently needs the resources that Washington can provide to save delicate situations such as that of Brazil."

EL SALVADOR: "Premises For Investment In Latin America"

Leading, extremely conservative El Mundo put forth this view (9/16): "Right now Latin America is experiencing a shortage of (investment) capital, and investors are demanding greater rates of return for investment in our region, due to the (possible) return of the chronic ills of our economies. This attitude is evident when investors demand of Latin American countries (rates) around 14 points above U.S. Treasury rates."

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6 Oct 1998 12:06:08 EDT
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with ESMTP id <01J2NEIVWYV400CEIJ@PMDF.EOP.GOV> for schwartz_l@a1.eop.gov;
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X` hp x (##Xn\ P6Qy&P#Tuesday, October 6, 1998
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GLOBAL FINANCIAL TURMOIL: G7 DOES 'LITTLE' TO DISPEL GLOOM

A tone of pessimism pervaded the bulk of the commentary on the global
financia
l situation over the past few weeks. The recent spate of highlevel
financial m
eetings in Washington over the weekend and into this
weekinvolving officials fr

om the G7 and the newly christened G22, and the annual meetings of the IMF and World Bankdid little to dispel feelings of foreboding about the world's economi c state. Most commentators found common cause with Rome's centrist Il Messagge ro, which contended that the "historic" weekend meeting of finance ministers of the G7 nations had "confirmed the dramatic risks of the crisis rather than sug gesting solutions." The "great diplomatic effort put forth by Washington," tha t paper averred, "has given birth to the proverbial little mouse." The G7's ag reement to explore a U.S.backed proposal to create a new fund within the IMF to assist countries whose economies might be threatened by financial contagion, h owever, did evoke some positive comment. Singapore's progovernment Business T imes, for example, greeted the plan as a "flash of inspiration" on the part of President Clinton, and urged that the proposal be given "due consideration." C ontesting that view, a number of European sharply criticized the IMF and were l ess supportive of the plan. Munich's centrist Sueddeutsche Zeitung held that t he "new rescue operation" had "generated suspicion, not only among the European s." Other writers speculated that the plan had an inborn "Achilles heel," name ly that the president will have to convince a reluctant U.S. Congress to partic ipate in a "capital increase" of the IMF. Following are additional themes in t he commentary:

G7 MEETING: 'TOO LITTLE, TOO LATE'?A majority of editorialists judged that the G7 meeting was, in the words of London's Financial Times, "hardly...global eco nomic diplomacy's finest hour." In addition to charges that the group had divu lged "nothing concrete" about how it would act to stem global economic turmoil, some writers emphasized that the group was "belatedly" responding to the "cris is." Commentary from countries whose economies have suffered most severely fro m the turbulence expressed the conviction that, until the G7 acts decisively, t he "gasping developing countries will have to find some way on their own to sur

vive."
JAPAN: 'TAKING CRITICISM TO HEART'Dailies in Japan were sharply critical
of th
eir government and of the LDP and opposition parties for their failure
to respo
nd to that country's deepening economic woes. Businessoriented
Nihon Keizai in
veighed against the government for having "misdiagnosed" that
country's economi
c health and having adopted "one misguided economic policy
after another."
INTEREST RATES, HEDGE FUNDS, CURRENCY CONTROLSMost analysts welcomed the
Federa
l Reserve's reduction in the prime interest rate last week, but held
that the 1
/4point cut was too "modest" to alleviate "distress" in markets
overseas. Pape
rs in Malaysia, South Korea and Thailand called for increased
currency controls
and the "reining in" of hedge funds.

This survey is based on 62 reports from 26 countries, September 22 October
6.
EDITOR: Kathleen J. Brahney

EUROPE

X` hp x (# BRITAIN: "Clinton Lays Down The Law"

The liberal Guardian had this from Washington (10/6): "President Clinton
last
night sought to take personal control of the effort to head off global
financia
l meltdown by urging the world's finance ministers to act fast. He
took the un
usual step of meeting finance ministers to urge immediate steps to
shore up int
ernational growth. The president's involvement in a gathering of
finance minis
ters is highly unusual and was seen as a recognition of how
seriously the prese
nt crisis is viewed by the White House."

"World's Most Pressing Problem"

The centrist Independent's lead editorial stressed (10/6): "Presidents and
fin
ance ministers meeting in Washington seem to have finally, and belatedly,
come
to the conclusion that there is a crisis in the world economy, that the
interna
tional regulatory and lending institutions have failed to meet it, and
that som

ething drastic needs to be done.... It is also selfevident that the
institutio
ns that should have warned, if not actually coped with, this
gathering crisisth
e IMF, the World Bank and the Bank of International
Settlementshave singularly
failed in their task.... But...if the
international institutions have failed u
s, it has been as much a problem of
leadership as of structure. This week sees
the annual meetings of both the
IMF and the World Bank. It is time that their
chiefs, Michel Camdessus and
James Wolfensohn, were called to account, and, in
the former's case,
replaced."

"Direction But No Detail"

The lead editorial in the independent Financial Times noted (10/5): "The G7
is
beginning to take on board the full significance of growing international
turm
oil. That, at least., was evident from the meeting of finance ministers
and ce
ntral bankers at the weekend. Unfortunately, little else is clear.
The G7 sta
tement signals a direction for reform of the international
financial architectu
re, but gives few details.... The best that can be said
is that the G7 laid ou
t a broad direction for reform, involving greater
transparency, beefedup survei
llance.... All in all, it has hardly been
global economic diplomacy's finest h
our. In the absence of agreement, the
G7 has called on its deputies to comple
te a more detailed 'work plan' based
on the broad agenda that has been laid out
. If the G7 is serious about
reforming the financial architecture, the deputie
s must report back with a
plan as soon as possible, and certainly before the en
d of the year. Waiting
until the next scheduled G7 meeting next spring is too
long."

X` hp x (# "Follow The Fed"
X` hp x (#
The conservative Daily Telegraph observed (10/1): "The U.S. Federal Reserve
h
as shown welljudged caution in cutting interest rates by a modest quarter
point
. The global markets were plainly hoping for a bigger cut to alleviate

distres
s in Latin America, Eastern Europe and [East Asia], but precipitous
action at t
his stage might have smacked of panic.... It is testimony to the
enormous pres
tige of Alan Greenspan that he had been able to convince the Fed
to look beyond
the United States and start paying attention to signs of a
global credit crunc
h."

"Cold Comfort From The IMF"

The independent Financial Times judged in its lead editorial (10/1): "This
we
ekend, therefore, the G7 countries must work to ensure that their monetary
stan
ce is right for such turbulent times. The IMF is right to urge the
United Stat
es and Europe to start easing interest rates to support growth and
help restore
calm."

FRANCE: "Need For Regulated Social Liberalism"

Jean Boissonat argued in regional Ouest France (10/6): "The United States was
not able on its own to guarantee the wellbeing of the financial system born
in
the seventies. That is the system that needs to be rebuilt. If today's
crisis
serves only that end, it will have served a purpose. Bureaucratic
socialism ha
s not been shown to be the answer to anarchic liberalism. We are
going to have
to invent regulated social liberalism. The Clintons,
Schroeders, Blairs, Josp
ins and Prodis of this world will fail in their
missions if they do not tackle
this."

"Too Little Too Late"
X` hp x (#
Dominique Bromberger told listerners of governmentfunded France Inter radio
(10
/5): "We live in a globalized economy and we cannot go back. It is high
time t
he G7 governments, who watched with impotence or indifference as the
crisis sp
read, set up a system of international control. The Washington
summit was onl
y the beginning of a declaration of intention to get started
on something. Fra

nkly it is too little too late."
X` hp x (#
"Dancing On The Volcano"

Francoise Crouigneau maintained in rightofcenter Les Echos (10/5): "The G7 and
the IMF were engaged in a dance over a smoldering volcano. Their mission was
to find the antidote to the poison of uncertainty affecting world markets....
In spite of an obvious attempt to go beyond their traditional obtuse declaratio
ns, one wonders if the G7 and the IMF, with their belated resolutions, will con
vince the markets."

X` hp x (# "Alan Greenspan: A Questionable Decision"
X` hp x (#
PierreAntoine Delhommais commented in leftofcenter Le Monde (10/1): "European
politicians will without a doubt salute Alan Greenspan's decision (to lower th
e prime interest rate.]... But...the decision, far from calming things down, c
ould lead to increased concern among investors.... It is never good to react
under pressure. Yet this is what Alan Greenspan has chosen to do."

"Caution"

Philippe Mudry noted in centrist La Tribune (9/30): "It is...understandable if
Alan Greenspan chose to exercise caution.... Maybe he is afraid of sending t
oo strong a signal of concern to the financial markets, suggesting that other L
TCMs (hedge funds) may be waiting in the wings.... For the time being, Wall S
treet's reaction proves that Greenspan's decision is not enough to calm down th
e markets."

GERMANY: "The Rich CountriesClueless"

Centrist Sueddeutsche Zeitung of Munich featured this commentary (10/6) by Helg
a Einecke: "With a lot of fanfare, Bill Clinton called for a new rescue opera
tion for countries in crisis. It was his suggestion to create the G22 group in
which established industrialized countries meet with emerging economies to dis
cuss new strategies. Such an action plan generated

suspicion, not only among t
he Europeans. For months, the Americans have been
refusing to give the IMF mor
e money to deal with the management of financial
crises. Some American politic
ians dislike a proposal from the French, who
want to strengthen their influence
in the IMF. Paris is hoping for support
from the future German Chancellor Ge
rhard Schroeder who will soon visit the
White House. British Prime Minister To
ny Blair likes to talk about a new
architecture for the global financial syste
m, but he does not offer any
concrete suggestions.... The next test case will
be Brazil.... Brazil poses
a new opportunity for reasonable actionby private d
onors, by reformers in
all countries, and by the American Congress."

X` hp x (# "A Disappointing Summit"

Cornelia Wolber concluded in rightofcenter Die Welt of Berlin (10/5): "One
ha
lf of the world's economies are close to collapse. And the other half of
the w
orld, including the United States and Europe, is alarmed. Bundesbank
Preside
nt Hans Tietmeyer asserts that he considers the situation to be very
serious..
.Tietmeyer wants to support tried and tested prescriptionsmore
transparency in
the markets and responsible supervision of the banks in order
to ensure that e
conomic problems are detected regionally before they become
crises.... The maj
ority of U.S. politicians block such an increase because
they believe that bill
ions of dollars of aid to Asia and Russia did not bring
any results and even w
orsened the situation.... It seems likely that
financial markets will be disap
pointed by what was agreed upon at the
summit.... One thing is certain: The n
ame 'the new Bretton Woods' is not
deserved."

"No Panacea"
X` hp x (#
Centrist Maerkische Allgemeine Zeitung of Potsdam had this editorial view
(10/1
): "For the U.S. economy, the decision of the Fed to lower interest
rate is fa
vorable. And if the U.S. economy grows, Europe will profit, too.

But a global
race to lower interest rates would do little to stop the looming
recession abo
ut which the IMF spoke yesterday. It would not give a boost to
the economy but
would heat up inflation."

ITALY: "The 'Bigs' Of The World Are Rather Small"

According to an editorial in provocative, classical liberal Il Foglio (10/6):
"The Asian stock markets reacted negatively to the G7's conclusions....
[Presi
dent Clinton's] proposal to set up a special fund...was disregarded.
Indeed,
it would be enough that the American Congress pays its $18 billion
dues to the
IMF to unblock $90 billion from other countries.... Clinton's
request to the
Europeans to cut their interest rates...was rejected.... In
other words, the
idea of a concerted effort on a world scale has not found
much room."

"The Big Seven Beget One Small Mouse"
X` hp x (#
Economic analyst Paolo Glisenti commented in Rome's centrist Il Messsaggero
(1
0/5): "The giant diplomatic effort put forth in Washington over the last
48 ho
urs...has given birth to the proverbial little mouse, and stock markets
will re
open this morning in a more pessimistic atmosphere. The historic
weekend of me
etings among financial ministers confirmed the dramatic risks of
the crisis rat
her than suggesting solutions.... The agreement reached over
the White House p
roposal for new funds for the IMF looks like a tiny little
step, considering th
e huge problems we have to confront.... According to
many experts, Clinton's p
roposal to provide new funds to the IMF...is aimed
at saving Brasil and some ot
her Latin American countries.... Little or
nothing has been achieved by this s
olemn weekend...(which was) only a way to
gain time as we wait for an agreement
on the real theme which was at the
center of closeddoor meetings in Washington
: the dramatic urgency for a
radical reform of the international monetary syste
m and multilateral
institutionsthe IMF and the World Bank."
X` hp x (#

"Ambiguous Message From G7"

Giovanni Battista Bozzo filed from Washington for leading rightist opposition Il Giornale (10/5): "An ambiguous message emerges from the much awaited G7 mee ting: on one side, the need was confirmed to adopt expansive economic strategie s; on the other side, there was not even the slightest reference to a coordinat ed reduction of interest rates. The word 'rates,' in fact, was not even mentio ned."

"Specter Of Global Recession Lands In Washington"

New York correspondent Autro Zampaglione filed this for leftleaning, influenti al La Repubblica (10/2): "The specter of international economic recession is l anding in Washington along with the ministers and bank governors who, beginning tomorrow, will try to save economies and stock markets, currencies and savings ."

"Differing Visions"

Mario Platero wrote from Washington in leading business daily II Sole24 Ore (1 0/2): "In addition to Michael Camdessus, yesterday we also heard U.S. Treasury Secretary Rubin, who made the umpteenth promise of a reform of the monetary sys tem without offering details; we heard Fed Chairman Greenspan defend the lastmi nute rescue of the Long Term Capital Management. And their languages were diff erent at a time when the G7 should instead speak with a single voice.... At le ast for the time being, a different vision between the United States and Europe regarding interest rates was confirmed yesterday. And the fact that Japan is r eproposing its idea of a special Asian fund, already rejected last year, confir ms that everybody seems to proceed independently within the G7."
X` hp x (#
X` hp x (# RUSSIA: "Vicious Circle"

X` hp x (#Maxim Filimonov noted in reformist VremyaMN (10/6): "The outcome of

the
negotiations [with the IMF] is anybody's guess. Things have come full
cir
cle: Russia cannot draft a program until it knows for sure whether or not
the W
est will disburse; the IMF cannot disburse money until it knows the
government'
s program. Quite possibly, as often before, the Washington talks
will end with
the usual assurances of the parties that 'common sense has
prevailed.' But once
the experts begin work on the concrete terms of the
issue of loans work will d
rag out for many months. And the government must
decide soon out of what source
s it will pay pensions, wages and salaries to
soldiers, prepare for the winter
and finance military orders."

"After You, Doctor"

Marina Borisova had this to say in reformist VremyaMN (10/2): "But in all
hi
s speeches [IMF Director Camdessus] plugged the same line: IMF resources
are d
own to a dangerously low point. To give timely assistance to needy
countries
quotas have to be increased.... But the donors, above all the
Americans, have
put their foot down. From the start of the world crisis,
the IMF has funneled
$141 billion into troubled countries. This brought
nothing but growing tensi
ons, economic instability and more turmoil. The
U.S. Congress has refused to g
rant an additional $18 billion to the Fund....
No one is in a hurry to shell o
ut money to finance another stabilization
program of young and notsoyoung refor
mers."
X` hp x (#

BELGIUM: "Missed Opportunity"

Financial FinancieelEconomische Tijd had this comment by foreign affairs
write
r Carl Pansaerts (10/6): "The intensive talks in recent days in
Washington did
not yield what one was allowed to expect from them. The G7,
G10 and Interim C
ommittee missed an opportunity to send a strong signal to
the world. They skip
ped the chance to point out the homework and
responsibility of everyone in clea
r and, if need be, strong words. Given the

painful circumstances, that would h
ave been easier than ever before. Too bad
that that opportunity was not seized
in Washington."

"G7 Has No SureFire Recipe Against Crisis"
X` hp x (#
Economic columnist Jan Bohets pointed out in independent Catholic De
Standaard
(10/5): "The leading Western countries have no effective means of
coping with
the financial crisis that is spreading over large parts of the
globe. However.
..the G7 did agree that the resources of the IMF must be
replenished urgently.
That implies, inter alia, that the U.S. Congress must
be willing to participat
e in a capital increase of the IMF for an amount of
$18 billion."

X` hp x (#DENMARK: "Clinton's Bind"

Centerright Berlingske Tidende featured this editorial (10/6): "Bill
Clinton
has proposed that new borrowing mechanisms be introduced to help
countries suff
ering from the financial crisis. It is unlikely, however, that
Clinton will be
able to convince Congress of the need to inject more money
into the IMF. Cong
ressional skepticism is, unfortunately, not without
foundation. IMF loans plac
e very tough demands on borrowers, and these could
be hard to bear for countrie
s which are already under heavy economic
pressure."

POLAND: "Every Person For Himself"

Krzysztof Bien asserted in centrist Rzeczpospolita (10/5): "The healing
packag
e the G7 is proposing to cure the ailing world finances is not much
different f
rom the recipes used so far.... There is no talk about
coordinated action by
the most wealthy nations to cut interest rates. In
short, the solution to the
crisis is as follows: Everyone must help himself
first."

"Specter Of Recession Encircles Globe"

Milosz Weglewski observed in liberal Gazeta Wyborcza (10/34): "The threat of
global collapse is increasingly real.... The way out from this closed circle m
ust be through determined and coordinated efforts by the governments...central
banks and international financial institutions; through the general relaxation
of monetary policy aimed at stimulating production and demand, to rational pro
grams of financial assistance for the worst struck countries. Whereas this act
ion will not heal the situation overnight, it will help restore the investors'
confidence in financial markets, thus adding to their stabilization. And this
will be a milestone in dispelling the specter of recession."

SPAIN: "Insufficient Results"

Liberal El Pais judged (10/5): "The G7 meeting in Washington has ended without
having reached agreement on the adoption of coordinated measures to address t
he morethanyearlong financial crisis.... The G7 and many of the developing cou
ntries most affected by the crisis agree that a coordinated decrease in interes
t rates and the creation of a special emergency fund administered by the IMF ar
e needed. The solution proposed by Clinton has an Achilles' heel, however, in
that not even those countries that have committed themselves to contribute to s
uch a fund are prepared to come up with a penny until the United States antes u
p the amount it has pledged to the IMF. In the meantime, the results of the me
eting have ended in pure rhetoric, as usual."

"Save Yourselves Those Who Can"

Conservative ABC commented (10/5): "For some...the meeting resulted in agreemen
ts that will work miracles, stimulating markets and establishing a foundation f
or global cooperation in addressing the world's multiple financial crises. For
others...the financial summit ended with nothing in

concrete to address those
crises.... What everyone did agree to...is to
blame everyone else for the cris
is while muttering under their breath: 'Save
yourselves those who can.'"

"The IMF Backtracks"

Independent El Mundo noted (10/1): "The Federal Reserve's decision to cut
[the
Federal funds rate] by 1/4point has not only not restored confidence to
intern
ational markets, but has actually accentuated doubts about United
States' capab
ility to take over the direction of the global economy....
Today, much more t
han a 1/4point rate cut is required; the IMF needs to play
an active role in ad
dressing the crisis by coordinating the policies of the
most wealthy countries
and by providing the leadership that Clinton appears
unable to supply."

"Japanese Time Bomb"

Independent El Mundo noted (9/27): "If Japan does not react within the next
f
ew months and its situation becomes even more serious, then the United
States
and Europe will have real cause for concern. Another drop in the yen
or the re
patriation of funds invested in U.S. Treasury bonds could
destabilize the worl
d economy and bring on a global recession."
X` hp x (#
SWEDEN: "Greenspan's Signal?"
X` hp x (#
Business Dagens Industri had this editorial (10/1): "By the recent decision,
the Fed assumed special responsibility. Greenspan has now put the American
eco
nomy, which is very close to being overheated, in some danger.... For the
firs
t time during the latest financial crisis, Washington has in deeds given
the si
gnal that the business of the surrounding world is also that of the
United Stat
es."
X` hp x (#
EAST ASIA AND PACIFIC

JAPAN: "Public Funds Must Be Infused Into Ailing Banks Expeditiously"
X` hp x (#
Businessoriented Nihon Keizai's chief editorial writer Akira Kojima, penned
thi

s frontpage commentary (10/6): "Nonperforming loans, accumulated by Japanese b
anks, have not only created a credit crunch but have made the state of the nat
ional economy even more critical. Given the present circumstances, top G7 fina
ncial officials, meeting in Washington, urged Japan to take swift action to inf
use public money into ailing but sustainable financial institutions. Japan mu
st not react negatively to this 'urgent' G7 request as external pressure ('gai
atsu.')... Both the government and the LDP, as well as opposition party offic
ials, are to blame for their lack of a sense of urgency. Since the collapse o
f Japan's 'bubble economy,' the government has 'misdiagnosed' the nation's econ
omic health and adopted one 'misguided' policy after another, thus creating an economic
crisis.... Relief measures must be taken as expeditiously as possible before
these institutions actually go under.... The problem of settling the bad
loan issue has been neglected for such a long time that there no longer exi
st satisfactory or convincing solutions to the problem. One thing is clear....

Japan's failure to reinvigorate these financial institutions at an early date

will only hurt the actual state of the national economy and bring the nightmar
e of a global economic and financial crisis closer."

"Taking Criticism To Heart"

Topcirculation, moderate Yomiuri's editorial argued (10/5): "The government m
ust take the G7 statement as the expression of the member nations' sense of urg
ency and irritation toward the slow response to the crisis by Japan's ruling an
d opposition parties."

"Japan Held More Responsible For Averting World Economic Crisis"

An editorial in businessoriented Nihon Keizai insisted (10/5): "Japan has bec
ome a 'problemplagued' G7 member nation.....

"The G7 nations are seriously concerned that Japan's failure to overcome its fi

nancial crisis or to get its economy back on track will create a
simultaneous w
orldwide deflationary spiral."

X` hp x (# "Focus Will Be On Japan Problem"

Liberal Mainichi Shimbun's Wakamatsu pointed out (10/2): "There are voices
ca
lling for Japan, first and foremost, to put its economy and banking
industry in
order.... It is likely that Miyazawa will be pressured to
produce extra econo
mic stimuli, in addition to the already announced 10
trillion yenplus supplemen
tary budget and 7 trillion yen worth of tax
reductions."

X` hp x (# CHINA: "G7 Fails To Take Lead In Turmoil"

X` hp x (#Official Englishlanguage China Daily commented (10/6): "Financial le
aders
in search of bold solutions to the global economic chaos wrapped up anot
her
weekend of talks offering little more than vague promises and conflicting
i
deas on what they should do next. The failure of the G7 finance ministers
and
central bankers to produce decisive action and present a united front
against
the threat of a financial meltdown slowly sank in. And jittery world
markets w
ere prepared for disappointment when they reopened yesterday. The
strained re
lations between Washington and Tokyo also showed few signs of
improvement follo
wing the highlevel talks as the G7 urged Japan again to
pull itself up by the b
ootstraps and get its ailing, debtridden financial
sector sorted out."

HONG KONG: "Acting To Avert A World Slump"
X` hp x (#
Independent Hong Kong Standard noted in its editorial (10/5): "There is
quit
e a bit of selfishness in the way Japan, the United States and some other
devel
oped countries look at the problem. Unless the leaders of these
countries ado
pt a more statesmanlike approach to this global problem we
shall see little he
adway being made.... It is only now, with the flames
licking at Washington's d
oorsteps, that this new package has been welcomed.
Such obstruction by the Un

ited States and the IMF have only served to convince many Asians, rightly or wr ongly, that Washington wants to impose a new form of imperialism on this regio n."

"Don't Get Too Excited"

The nationalistic Hong Kong Economic Times said in an editorial (10/5): "The G 7 countries, so far, have focused only on their own interests.... The Asian c ountries have been waiting for 15 months for Clinton's suggestion to set up eme rgency funds. But don't get too excited about it because such a measure is desi gnated only for those who might be affected by the crisis, not those who have b een suffering from it."

AUSTRALIA: "IMF Must Have Support"

The national businessoriented Australian Financial Review opined (10/6): "Beyo nd a broad pledge of intensified cooperation to keep the global economy growing , the G7's finance ministers and central bankers failed at their weekend meeti ngs to offer anything substantially new to calm the global panic. The most eff ective way to contain the crisis still remains with the IMF, which holds its an nual meetings today in Washington. As demonstrated by the therapy in Mexico, Thailand and South Korea, IMFstyle packages can work. The IMF may have failed to anticipate much of Asia's turbulence. It may have even prescribed imperfect policy solutions. But its programsfully supported by an engaged United States and reformminded Japanremain the best antidote to global economic instability. "

"Soothing Cut From The Fed"

The national, businessoriented Australian Financial Review judged (10/1): "By cutting rates now, the Fed has signaled to the financial markets that it is r

eady to respond to the international financial crisis, even though domestic U.S
. economic conditions still argue against any cut in rates. In doing so, the F
ederal Reserve has bought itself and the IMF crucial time....
In this calmer a
tmosphere, the G7 finance ministers, the IMF and the World Bank have a better
opportunity to massage confidence, by strengthening their commitments to the un
steadiest of the Latin American dominoes."

INDONESIA: "Jakarta Should Not Copy Malaysia's Capital Controls"

An oped piece by Eddy Suparno in the leading, independent Jakarta Post held (9
/29): "It is...imperative for Indonesia to remain attractive to foreign invest
ment by not reducing economic freedoms through misguided attempts to control
international markets. It is equally important to realize that movements of ca
pital...are a reflection of a country's economic fundamentals. In the event of
an economic upswing the amount of capital inflow automatically increases, taki
ng advantage of a favorable 'money making' environment. Naturally, in a downt
urn the movement of capital travels reverse. Therefore, it would make more sen
se to overhaul the problems in a country's fundamentals rather than go through
the pains of curbing the flow of capital."
X` hp x (#
MALAYSIA: "Malaysia's Earlier Call Gaining Consensus"
X` hp x (#
The governmentinfluenced, Englishlanguage New Straits Times had this editorial
(10/5): "Precious time has been wasted during the denial phase of the West wh
en it refused to recognize that the East Asian financial turmoil is partly due
to fundamental flaws in the international monetary system....
Clearly, the ur
gency for U.S. action in mounting reforms to the international monetary system
is in the interest of its economy and that of other economies. Such reforms sh
ould include mechanisms to handle international capital flows...an efficient ex
change regime and regulated currency trading.
A restructuring of the World Ban
k and IMF is crucial to ensure their global

capitalism. The IMF, provided it i
s transparent, has a valuable role to play
in the global financial system. But
its secretive workings, including the
fact that the amount supplied to Mexico
during the peso crisis far exceeded
the amounts slowly made to East Asian count
ries, indicate its lack of
accountability. That its coffers has not not been
replenished shows how it
is very much subject to the whims and fancies of the d
onor countries. The
reforms needed should not be indicated by the interests of
the mighty few."

X` hp x (# "Urgent Need For Reforms"
X` hp x (#
The governmentinfluenced Business Times urged (9/23): "The major economic
pow
ers should lend more than their ears to British Prime Minister Tony
Blair's cal
l for a 12month deadline on global financial reforms.... The
longer [the rich
nations] take to agree upon a way to overhaul the Bretton
Woods' agreement, th
e harder the impact of the financial crisis will be upon
businesses and economi
es in the West."
X` hp x (#
X` hp x (# SINGAPORE: "Clinton's Flash Of Inspiration"

The progovernment Business Times' editorial observed (10/6): "The new U.S.
pr
oposal for a mechanism to provide emergency finance to help vulnerable
nations
ward off global financial contagion won predictable support from the
Group of S
even (G7) leading industrialized countries. But the hard truth is
that, apart
from Japan's proposal for a $30billion fund to help Asian
countries in crisis,
there is really little on offer. In fact, the Japanese
officials have every ri
ght to complain that America's latest flash of
inspiration is similar to their
own proposal a year ago which was rejected by
Washington then....

"Certainly, Mr. Clinton's proposal should be given due consideration. But
much
water has flowed under the bridge since last September.... It is a pity
the C
linton administration could not see beyond its nose 12 months ago when
there wa

s a better chance of averting a global recession."

"Japan Acts Like A Leader"
X` hp x (#
According to the progovernment Straits Times (10/2): "Japan's plan to extend
about $30 billion in aid, mainly to Southeast Asian nations, is a reminder of t
he economic role which it can play to pull the region out of its crisis.... Fi
nance Minister Kiichi Miyazawa's aid plan...should do much to assuage regional
concerns.... That said, Japan must follow up on its initiative by tackling its
domestic problems. A stricken economy prevents it from absorbing the exports
which Asian countries desperately need to make to sell their way out of the cri
sis. And Japan cannot grow unless it goes ahead, among other things, with bank
ing reforms that have been hobbled by differences between its political parties
."
X` hp x (#
SOUTH KOREA: "Homework For G7"
X` hp x (#
Reporter Lee Sangwon observed in moderate Hankook Ilbo (10/2): "The world is
facing an urgent need to reorganize the global financial system currently in pl
ace and also to restrict the flow of hedge funds.... On the issue of hedge fun
ds...the cry for change is increasingly persuasive because many have come to re
alize that hedge funds have to be restricted.... The United States has been la
rgely passive in addressing this issue, understandably so because Wall Street c
ontinues to be the home to most of these funds, and 95 percent of their profit
s flow into the United States. It now seems Washington understands how damagin
g these funds have been.... Will the United States really stop being selfish a
nd rein in these hedge funds?"

X` hp x (# "U.S. Cuts Interest Rates Less Than Expected"

According to an editorial in independent DongA Ilbo (10/1): "The action comes
across as a signal of U.S. determination that it will no longer ignore the eco
nomic crisis facing the world, though its primary goal seems to be the preventi

on of an economic recession in the United States. Unfortunately,
the cut was.
..probably too small to produce any real effect on the world....
A further cut
seems to be required, and it would be much better for
Washington to do so as f
ast as possible.... While the cut obviously fell
short of our expectations, it
will give us an opportunity to increase exports
and to stabilize our foreign e
xchange market."

"U.S. Rate Cut And South Korea's Reaction"

Independent Hankyoreh Shinmun told its readers (10/1): "While the U.S. rate
c
ut is unlikely to have an enormous impact because of the meagerness of the
cut,
it does have significance because it signals that the United States has
final
ly begun to address the economic issue. Its psychological impact...will
not be
insignficant."

THAILAND: "Only Meager Resolution In Washington Meetings"

Thongtam Natchamnong commented in popular Siam Rath (10/5), "The Washington
me
etings of the World Bank and IMF produced only a meager resolution. In
order t
o solve the current economic crisis, the resolution goes, every
country must st
imulate its growth and create a proper financial environment.
Translation: The
G7 member countries need to rebuild their economic
strength. In the meantime,
gasping developing countries will have to find
some way on their own to surviv
e. Once the G7 have injected enough money
into their economies and regained th
eir former strength, certain benefits
will then trickle down to these poorer na
tions."

"No Enthusiasm For Brake On Hedge Funds"

Pichian Kurathong commented in elite Matichon (10/3), "Apparently, the G7
does
not seem very enthusiastic about putting the brake on hedge funds.
Instead,
the G7 is likely to stick to its liberalization doctrine and
continue to give a

free hand to these Western hedge funds to operate in and dominate emerging economies infatuated by the lure of foreign capital inflow."

"Time To Draw Up New Financial Blueprint"

The lead editorial of independent, Englishlanguage Nation maintained (10/2): "[The United States] has been forced to eat its words about transparency, governance and nonstate intervention as a result of the rescue of a big hedge fund on Wall Street which has an investment exposure of more than 200 billion, larger than many Asian economies combined. The rescue was necessary because of a threat of systematic riskthe very thing that Thailand and other Asian nations have been worried about in the past 12 months. The best thing that the G7 or G22 countries...[and] members of the IMF and the World Bank can do now is to put the squeeze on Wall Street...and draw up a new blueprint for the world financial system based on the economics of trade, investment and employment."

X` hp x (#

X` hp x (#SOUTH ASIA

INDIA: "Economic Storm Watch"

The centrist Times of India told its readers in an editorial (10/5): "The U.S. Federal Reserve's reduction of the interest rate last week has not yielded positive results, and the G7 countries met last weekend to consider the steps to stabilize the present situation.... The world has to wait for the collective wisdom of the G7.... One hopes that in addressing the systemic problems underlying the current crisis, they will give due consideration to the financial speculators who play havoc with national economies based on vulnerable currencies... Thanks to the fact that India did not globalize as fast as some advocated, it has to an extent been protected so far from the global economic turmoil affecting other Asian and Latin American countries. That might not be for long, though; the spillover is bound to affect the Indian economy."

PAKISTAN: "Pakistan Caught In Double Bind With IMF"

The centrist News featured this oped column by Imtiaz Aziz (10/2): "The packa
ge Pakistan is currently negotiating with the IMF will not be enough to meet th
e balance of payments crisis. Even if it gets a sufficient financial cushion i
n exchange for major concessions on its nuclear program, it will be a shortterm
measure. But it will also be not a free lunch as [is] desired by the Sharif
administration. It will accompany tough conditionalities. Mr Sharif [would] l
ike to postpone the economic crisis without paying the political cost for a tou
gh package. He may be ready to concede much on the nonproliferation agenda in
the hope of...a package that will not ask for much belttightening by a cronycap
italism. But the possibility of such a quid pro quo was lost on May 28 when he
decided to detonate. Even if it happens, what about next year?"

LATIN AMERICA AND CARIBBEAN

BRAZIL: "Diverging Views"

X` hp x (#Independent Jornal da Tarde's economic columnist Celso Ming emphasi
zed (10/6): "There is a clear willingness among the great powers to help the
emerging nations, especially Brazil.... But they do not know how to act. In t
he G7 such support is so far stuck in rhetoric. The U.S. government is clearl
y moving to strengthen the IMF and enlarge its functions.

"But...officials both in France and England are maneuvering to transform the E
U into an alternative hegemonic nucleus. Instead of supporting the IMF, they
have insisted on the need of deepening the mechanisms of bank supervision."

"Power Scheme Will Remain Unchanged"
X` hp x (#
An editorial in centerright O Estado de Sao Paulo judged (10/5): "Obviously,
at stake is a choice between the two ways to negotiate financial reform. The
traditional way, preferred by the U.S. government, is to keep the major decisio

ns in the G7 environment. There may be sessions of a G22
with the presence of m
inisters of 15 emerging economies, but this expansion,
in practice, will not i
n any way alter the power scheme. The most powerful
it seems will continue, de
ciding the major issues, with general oversight
provided by the United States.
"

"Complete Irrationality"

Centerright O Estado de Sao Paulo's lead editorial said (10/2): "The
financia
l world has yielded to the most complete irrationality. The only
consensus is
regarding the need to reform the system. The way it is now, the
international
financial system is no good. The problem is how to reform
it.... The IMF has
an important role to play while supervising the whole
system. The best thing t
o do is provide the institution with tools capable
of predicting crises and act
ing so as to prevent them from occurring."

X` hp x (# "Through Difficulties To New Growth"
X` hp x (#
Centerright O Estado de Sao Paulo (9/28) said: "Just a few days before the
I
MF annual meeting, the major international leaders begin to realize that
the i
ndustrialized economies are not immune to disasters. U.S. financial
instituti
ons have begun to suffer the same evils which up to now have been
reserved for
the group of the socalled emerging economies in need of
emergency assistance.
If the Russian disaster produced turbulent waves, the
fall of Brazil would af
fect even more the international economy, making
irresistible the contagion of
those who up to now were kept relatively
immune. The Brazilian government mov
es with caution, but with signs of
determination. It is understood that if it
manages to pass this phase of
difficulties, even with sacrifices, the country
's international image in the
international economic and political scene will
be reinforced, opening the
way to a new phase of growth in the future."

"Crisis Has Exploded In The U.S."

The lead editorial in independent Jornal da Tarde (9/27) said: "In addition t
o exploding the crisis in the very heart of the world's financial center, in
Wall Street, the spectacular blast of the LTCM...has buried for ever the credi
bility of the ongoing systems of financial control. If it was possible for suc
h a blast to occur under the eyes of no one less than Alan Greenspan, without a
nyone suspecting anything before it was too late, it is because no one is safe
under the current 'norms of financial security.' This episode will certainly
determine the beginning of an immediate review of all rules guiding the syste
m of international finance and a revocation of the practices sustained by mathe
matic abstractions, which have prevailed over the more orthodox formulas of the
recent past."

"Getting Used To The Crisis"

Independent Jornal da Tarde's economic analyst stressed (9/23): "After three weeks of panic, there is a worrisome feeling that Brazil and the opinion maker
s are much too accustomed to the crisis.... The responsibility to find a solut
ion is being gradually transferred to the G7...the IMF...and the central banks
of the superpowers.... The risk is that the federal government [of Brazil] and
the politicians will cross their arms and put aside the tough and inevitable d
istribution of bills to be paid."

ARGENTINA: "Swings And Roundabouts"

An editorial in the liberal, Englishlanguage Buenos Aires Herald stressed (10/3
): The main reason for the gloom is the increasing certainty of a world recess
ionquite apart from such major trouble spots as Japan, Russia and Brazil, the
crisis has now reached Europe.... The figures involved are truly terrifyingth
e crisis has cost the world some $600 billion dollars so far this year and the
exposure of the LTCM hedge fund now in trouble is $200 billion, there are no le
ss than 4,000 hedge funds.... Stock exchanges seem to have become an end in th

emselves and a veritable casino for the likes of
derivatives. Yet while such pr
oblems seem beyond the IMF or even the Federal
Reserve, imaginative solutions m
ust be available for each country's problems
on the basis of such assets as Rus
sian gold; Japanese capacity or Brazilian
privatizations."

MEXICO: "Swift Action Needed"

X` hp x (#According to an editorial in nationalist, progovernment Excelsior (1
0/5):
"It is regrettable that industrialized nations to fail to react as swift
ly as
necessary to the international financial situation, and also to fail to
r
ealize that a collapse in their clients would bring about market
stagnation.
President Clinton has realized the serious consequences of such
stagnation and
has demanded concrete actions. However, he is at a
disadvantage because he fa
ces an adversarial Congress that is carrying out a
dirty war against the U.S.
executive."

CHILE: "U.S. Role In Solving Global Crisis"
X` hp x (#
Financial El Diario concluded (9/22): "The decisions the United States makes
in the remaining months of the year will be decisive for the recovery of the
gl
obal economy.... A wise, and at the same time pragmatic, decision
indicates th
at the Federal Reserve will have to gradually begin lowering
interest rates in
November to decrease the costs of financing leading
businesses in developed na
tions. But the role of the United States in
reinvigorating and balancing the w
orld economy does not end there. The
support that the United States can provid
e through the IMF is also
important.... The U.S. Congress must be aware that t
he conquest of new
markets is directly linked to the healing of the most affect
ed economies.
The IMF urgently needs the resources that Washington can provide
to save
delicate situations such as that of Brazil."

EL SALVADOR: "Premises For Investment In Latin America"

Leading, extremely conservative El Mundo put forth this view (9/16): "Right

n
ow Latin America is experiencing a shortage of (investment) capital, and
invest
ors are demanding greater rates of return for investment in our region,
due to
the (possible) return of the chronic ills of our economies. This
attitude is e
vident when investors demand of Latin American countries
(rates) around 14 poi
nts above U.S. Treasury rates."

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

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