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Possible Internet insert for POTUS IMF Speech
Tom Kalil – Draft September 25, 1999

I. Proposed speech text

"For developing countries to be full participants in the global economy, they must also be full participants in the Information Revolution.

In the past, countries needed deep-sea harbors, airports, and railroads to connect to world markets. Today, when commerce takes place at the speed of light – when the smallest business can have an unlimited network of sales and distribution at its fingertips – it's increasingly important that countries be connected to the Internet. By the year 2003, global electronic commerce could reach $3.2 trillion

That means countries need to adopt policies that will allow the Internet to flourish – introducing privatization and competition in the telecommunications sector, developing an Internet-savvy workforce, and avoiding heavy-handed regulation of the Internet and e-commerce.

The Internet can be a powerful tool for economic <u>and</u> social progress. The Internet can deliver access to global markets, distance learning and telemedicine to the most isolated rural village on the planet. People in developing countries will find it increasingly easy to share new ideas and best practices as they work to build a healthier, better-educated and more prosperous society.

ok? → That's why today I am asking Secretary of State Madeline Albright and AID Administrator J. Brady Anderson to double the number of countries participating in our Internet for Economic Development Initiative. Working closely with our private sector, we can help developing countries use the Internet to broaden the circle of economic opportunity.

II. Background

- In an October 12, 1998 address to the International Telecommunications Union, Vice President Gore set forth a series of "grand challenges" to ensure that everyone, including people living in developing countries, has the opportunity to benefit from new information and communications technologies. These included improving access to computing and communications technology so that everyone is within walking distance to voice and data services, creating global knowledge networks, and supporting e-commerce, especially for small businesses in developing countries.

- On November 30 1998, President Clinton directed the Secretary of State, AID, and other agencies to "initiate a program to help accelerate the spread of the Internet and electronic commerce to developing countries." This was done as part of the release of the First Annual Report of the U.S. Government Working Group on Electronic Commerce. The Internet for Economic Development Initiative builds on the Leland Initiative, which seeks to promote the Internet in 20 African countries.

- Since then, State and AID has identified 11 countries that have agreed to work with the United States. These countries include Guatemala, Haiti, Jamaica, Bulgaria, Egypt, Morocco, Ghana, Guinea, Uganda, South Africa and Mozambique.

III. Rationale for initiative

1. Participation in global e-commerce is essential if developing countries are to enjoy higher rates of economic growth. Global e-commerce could reach $3.2 trillion by 2003. If developing countries are not plugged in to the digital economy, they risk not being able to tap into these markets falling further and further behind. <u>With the exception of South Africa – no African country has more than one-tenth of one percent of its population online</u>.

2. Promotion of the Internet and its applications will not only promote economic growth, it will also advance other goals for U.S. economic assistance, such as:

   - **Democratization**: The Internet makes it very difficult for governments to control the flow of information. Access to the Internet by NGOs will strengthen civil society by allowing "many to many" communication outside of state-run or state-controlled print and broadcast media.

   - **Education**: Internet access can give people in developing countries access to the same universe of knowledge that developed countries enjoy. In many areas, information on the Internet is freely available or supported by advertising. The Internet can also be used to support distance learning.

   - **Health care**: Internet can give medical practitioners in developing countries access to the latest medical literature.

   - **Equity**: Even simple applications like allowing farmers to find out the price of their crops in the capital city can dramatically improve their bargaining position vis-à-vis traders and other intermediaries.

3. Developing countries may oppose U.S. positions on the need for a market-driven approach on the Internet, telecommunications and e-commerce unless they believe that they have a stake in the emerging digital economy.

IV. Elements of initiative

1. **Policy reform**:

- Foster private investment and competition in both telecommunications and Internet services.

- Avoid monopoly provision of Internet services by PTT, or restrictions on licensing of Internet Service Providers.

- Move towards cost-based pricing for leased lines.

- Allocate spectrum for wireless Internet access.

- Remove legal and regulatory impediments for e-commerce.

2. **Infrastructure Investment**

- Help defray some of costs for connectivity between developing country and U.S. Internet.

- Support for network access points (NAPs) to encourage interconnection at a neutral point between multiple national and regional networks.

- Help extend Internet from the capital city to other cities and rural areas using wired or wireless networks.

3. **Training and Capacity-building**

- Provide training and technical assistance for:

  - end-users and NGOs;

  - policy-makers and regulators;

  - network technicians (people who can install, run, and manage TCP/IP networks);

  - providers of information services (e.g. digital libraries) so that developing countries can be both producers as well as consumers of information.

- Start-up funding for regional Internet Societies or other NGOs seeking to promote the development of the Internet.

4. **Applications and pilot projects**

- Support for micro-enterprises on the Web and other e-commerce applications;

- Distance learning and school-to-school partnerships;

- Community technology centers in remote areas – with eventual goal of discovering viable business model so that they can be self-sufficient;

- Other applications that support economic and social development.

5. **Private sector investment and participation**

- Engage U.S. private sector to encourage investment in developing countries, especially when policy environment has been improved.

- Examples of involvement include:

  - commercially-motivated investments to provide Internet service, hosting of e-commerce Web sites, etc.

  - Loan equipment to train networking professionals in developing countries

  - Participation in pilot projects in telemedicine, distance learning, etc.

Ian Bowles
09/24/99 03:26:08 PM

Record Type: Record

To: Jeffrey A. Shesol/WHO/EOP@EOP

cc: Elliot J. Diringer/CEQ/EOP@EOP, David B Sandalow/CEQ/EOP@EOP
Subject: POTUS/World Bank Annual Meeting remarks

Jeff -- Tom Malinowski told me that you will likely be working on the speech for this event. I wanted to offer you some background and message points for CEQ and NSC/Environment. Our hope is that POTUS can use this opportunity of an address at the World Bank/International Monetary Fund Annual Meeting to commend the World Bank for its recent efforts on the environmental front and urge further progress (a pat on the back and a gentle kick in the butt.)

Background:

- the President made strong and enthusiastic (and partially ad libbed) remarks on energy development and climate change in New Zealand, both at the APEC business leaders meeting and at the Antarctic Center in Christchurch -- esstentially making the argument that developing countries can bypass the environmental and human health costs of a "dirtier" energy sector development strategy by making use of newer, financially competitive, "clean" energy technology. this choice would produce significant benefits to address climate change;
- the World Bank this summer completed a comprehensive, two-year long review of its lending strategy in the energy sector, which represents approx. 10% of total World Bank annual lending (roughly $2 billion out of $22 billion);
- at U.S. and White House urging (including interventions from VPOTUS and Sec. Summers), the new strategy includes lending targets for clean energy development (e.g. renewable energy and energy efficiency projects) -- a first for the World Bank, although the targets are not as aggressive as environmental NGOs would have liked to see;
- forward-leaning interpretations and aggressive oversight of implementation of the new strategy will be central to ensuring that real environmental/climate gains are made -- positive remarks by the President would send a strong signal in this regard;
- for the World Bank audience, it is preferable to discuss these issues in the light of "clean development" and human health benefits, instead of in terms of climate change benefits -- given developing country sensitivities about a perceived lack of concrete U.S. actions to reduce greenhouse gas emissions; and,
- "greening" international finance has been an important priority for the U.S. not only at the World Bank, but also at the G8, the IMF, and the WTO.

Suggested points:

- the World Bank and IMF profoundly affect the environment around the globe; Environmental protection must be central to these institution's corporate objectives;
- the World Bank has a special role to play in pursuing the indivisible goals of environmental protection, poverty allieviation, and economic prosperity;
- today, new solutions are at hand. the "big idea" that all countries have to go through the same energy development path is no longer valid -- we can and must help developing countries to use clean energy development technologies to bypass the pollution and health costs of industrial-age energy development;
- the World Bank's recent commitment to specific targets for lending for clean energy -- renewable

Stability Pact Initiative on Corruption

ISSUE

How to engage regional partners in the Stability Pact in a meaningful anti-corruption effort that also demonstrates we are serious about tackling the corruption problem.

INITIATIVE ON CORRUPTION

There are three elements in dealing with the corruption problem in this region. First is getting government out of the economy and, where government should be involved, ensuring transparency and integrity. The broad emphasis must be on economic reforms that emphasize de-regulation, de-monopolization, privatization and development of a market economy. This requires:

(A) fiscal reform involving reform of the tax, budget, debt and pension systems;

(B) financial sector reform to ensure that a strong commercial banking system is established to replace the payments bureaus in many of these countries inherited from their communist past, and eliminate "directed lending" by banks which fuels "crony capitalism" ; and

(C) adoption of modern accounting standards to provide transparency for foreign investors but also to ensure that the public can understand the privatization processes underway. Privatization must include fair auctioning procedures.

Second, there must be a coherent program of legal reform. Legislation should make bribery a crime and provide an open, fair and transparent government procurement regime. (Such a regime could be based on e.g. the agreement on transparency in government procurement to be concluded at the WTO Ministerial in Seattle; the existing WTO Agreement on Government Procurement.) Additional laws that might be part of this include: money laundering, public disclosure, accounting standards, conflict of interest, obstruction of justice, witness protection, corporate liability and forfeiture. Laws alone are not enough. They must be effectively enforced. The judicial system (including police and the courts) must become more independent of political forces and more responsive to the need to prosecute those accused of corruption. This requires an independent, effective judiciary and adequately trained police and prosecutors.

Third, we need to help establish principles of ethics in government-business relations. This involves fostering an understanding of conflict of interest and would include establishing rules for government officials on ethics and disclosure of assets. In many countries, society simply accepts what we would find unacceptable in this regard. Part of the problem is different (or no) concept of what is conflict of interest. We must help define this for officials and public alike. Similarly, we must work with the emerging private sector about what constitutes good corporate governance. Involving the foreign private sector in partnering newly privatized firms would expose these new corporate leaders to these concepts.

Much of this has become the fabric of international efforts such as the Vice President's conference last February, OECD and COE anti-corruption conventions and the OAS regional convention on bribery. (Using the OAS effort as a model, a regional convention would be the centerpiece for the regional countries in the Stability Pact, with a view toward establishing a framework for addressing and achieving the above objectives. Alternatively we could build on the work of the COE or the OECD's Anti-Corruption Network for Transition Economies.)

At the same time, we need to demonstrate that we are working with these countries on the ground in implementing anti-corruption programs. This means pressing the governments to take additional specific, reasonable and realistic steps if we are to provide trade benefits, encourage foreign investment and support these countries in the IFIs. For this to work we need the support of our EU and Japanese partners. (We also need their support for the OECD's Anti-Corruption Network.) More important will be convincing the regional governments that failure to act involves real costs: corruption diverts money from public to private purposes when there are inadequate resources to meet basic needs – and not enough international resources to meet those needs. We will need to engage the media and the public at large for this to work.

We can develop a program of additional steps that countries must take to deal with corruption. There are some areas where we can help. The following elements could be part of such a program:

- World Bank anti-corruption diagnostic surveys. These would identify the specific steps countries must take to combat corruption. They would also be public documents. We should work with governments to persuade them to accept the premise of National Integrity Workshops in their countries and engage the public and media more broadly in anti-corruption efforts. We must carry out on-the-ground follow-up for these to be successful.

- Integrity Pacts. Such pacts could be applied to major public procurement or privatization. "Buyers and sellers" would enter into a contractual obligation not to use bribery or other corrupt practices in bidding for government procurement or in acquiring assets under privatization.

- Technical Assistance. This will help these countries establish the legal and regulatory framework. Part of this could be specific assistance monies tied to adoption and implementation of this framework.

- Civil Society. We should support the advocacy activities of local NGOs addressing issues of corruption by providing training and grants in support of their activities. Encourage NGOs to develop partnerships with the local business community and independent media. Work with local and foreign companies to identify specific instances of non-transparent regulatory procedures and corrupt practices. This could be done using the business advisory structure to be established for the economic sub-table of the Stability Pact.

Once we have agreement on this approach, we can then determine the appropriate mechanism for operationalizing this effort.

September 23, 1999

United States Department of State

Under Secretary of State
for Economic, Business, and
Agricultural Affairs

Washington, D.C. 20520–7512

FAX COVER SHEET

9/24 Date

3 pages to follow

TO: Lael Brainard

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Subject: President's Speech

The **Washington Post**
View Related Topics
September 5, 1999, Sunday, Final Edition
SECTION: OP-ED; Pg. B07
HEADLINE: Getting the New **Russia** on Its Feet; Our assistance is making the American people more secure.
BYLINE: Samuel R. Berger

Not for the first time, people are pointing to trouble in Moscow -- to evidence of corruption, malfeasance and capital flight -- to question whether we have been right to engage with **Russia** and whether we engaged in the right way.

There are indeed plenty of troubles in **Russia** today. But they should not obscure what U.S. engagement has produced for the American people. Since 1992 our efforts have helped deactivate almost 5,000 nuclear warheads in the former **Soviet Union;** eliminate nuclear weapons from Ukraine, Belarus and Kazakhstan; safeguard sensitive technologies; engage more than 30,000 weapons scientists in civilian research; and obtain hundreds of tons of uranium from dismantled Russian weapons.

Today three-quarters of our aid to **Russia** is devoted to programs that diminish the danger of nuclear war and proliferation. **Russia** also has withdrawn its troops from Central Europe and the Baltics -- not a forgone conclusion when the **Soviet Union** collapsed -- respected Ukrainian sovereignty, begun to forge a cooperative relationship with NATO, joined us in peacekeeping missions in Bosnia and Kosovo and made some -- though not yet sufficient -- progress in controlling the export of lethal technology to rogue states. We have agreed to begin discussions this year on a START III treaty, even as we work to get START II ratified and preserve the ABM Treaty.

None of this would have happened without our diplomatic engagement. And none would have been possible had we not simultaneously supported **Russia's** transformation into a more stable, open and prosperous society, despite the frustrations of that undertaking.

Our approach to **Russia's** transition is based on a still valid premise: Reform will take a generation or more. Neither success nor failure is preordained. But encouraging success is in our interest. At this early stage, the only way to lose **Russia** is to give it up for lost.

To understand corruption in **Russia,** we must understand that it is rooted in the legacy of Soviet communism. The communist elite expropriated state assets to enhance its wealth and power. Soviet citizens grew accustomed to stealing from the state to squeeze out a better existence.

So among the first and most important tasks facing Russian reformers at the beginning of this decade was to place state assets under private control. This was a political as well as an economic imperative, for breaking the state's stranglehold on **Russia's** economy was a prerequisite to breaking its stranglehold on the country's society.

Today some argue that it would have been better to delay privatization until **Russia's** political culture and legal institutions were more mature. But after decades of communism, it would have taken years for **Russia's** fractured institutions to agree on the necessary steps and still longer for the culture to change.

When **Russia's** democratically elected leaders decided to begin privatization, rather than wait and hope for a better day, we tried to help make that process work. So we helped **Russia** create a securities and exchange commission and a national electronic trading system that would allow shares to be traded openly. We helped the development of small businesses and channeled aid through nongovernmental organizations and local governments.

Unfortunately, a system with too many bad rules gave way to a system with too few good rules. Many Russians associate privatization with insider deals on a handful of large enterprises in 1995 -- a program we refused to support.

But if **Russia** has made less progress than the optimists hoped, it has made more than the pessimists feared. Tens of thousands of private businesses have been created. **Russia's** first modern middle class has emerged. With IMF help, **Russia** has beaten hyperinflation.

Most important, the Russian people speak freely, choose their leaders, hold them to account. They repeatedly have rejected a return to communism. My bet is they will again.

As for corruption, we have spoken out bluntly, early and often. While in Moscow in 1995, President Clinton called for an "all-out battle to create a market based on law, not lawlessness." In 1998, he made clear that investment in **Russia** depended on "strong checks on corruption and abuse of authority."

Long before allegations surfaced, U.S. law enforcement officials were investigating Russian financial and organized crime and preparing indictments. In early 1997 Vice President Gore pressed Prime Minister Chernomyrdin to back money-laundering and anti-crime bills, which the Russian Duma and Federation Council subsequently approved. We feel President Yeltsin should not have vetoed the money-laundering law, and we urge the Russians to get new legislation passed.

Last year Secretary of State Madeleine Albright said that foreign funds "should be used to support policies that help the neediest Russians, not enrich foreign **bank** accounts." While we have no evidence that IMF funds have been stolen, we will continue to insist on safeguards and accountability of IMF programs as a prerequisite for disbursements. Today IMF funds can be used by **Russia** only to refinance its debt to the IMF.

Ultimately, accountability must come from the Russian people. That they now have the freedom and power to provide it, that the truth is no longer hidden from them but exposed by an energetic press, that they have broken the back of communism and chosen to pursue their aspirations with, not against, the world, remains among the most hopeful developments of our time. By standing with them when possible, while standing up for our interests when necessary, we have made the American people immeasurably more secure. This remains the right course for America.

Jason H. Schechter
09/28/99 12:07:31 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Statement by the President: Jim Wolfensohn

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release September 28, 1999

STATEMENT BY THE PRESIDENT

I am very pleased that Jim Wolfensohn will serve a second term as World Bank president. During a precarious period for the world economy, Jim has shown a true passion for helping people who live in the poorest countries of the world weather the financial crisis, and making sure they have a voice in decisions that affect them.

Jim's hands-on style has served the World Bank well. He has traveled to more than 100 countries to see for himself what is working and what needs to be done to create jobs, improve education, fight hunger and attack diseases like AIDS. And he has shown an abiding commitment to reinventing the World Bank - to make sure that it is equipped to meet the challenges of globalization. In addition to improving governance and broadening participation, he has been working hard to improve transparency and clamp down on corruption.

His leadership, imagination and deep moral commitment make him an outstanding choice for the World Bank as it enters the next century.

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Message Sent To:____