

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: anderson (anderson@chip.mic.cl@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 7-MAY-1998 10:05:00.00

SUBJECT: CHIP News for May 7, 1998

TO: Steven J. Ronnel (Steven J. Ronnel@EOP [UNKNOWN])
READ:UNKNOWN

TEXT:
May 7, 1998

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HEADLINE: CUT COMPROMISES ON MINIMUM WAGE

Government To Raise It To US\$221 By 2000

KEYWORDS: LABOR; POLITICS

SOURCE: EL MERCURIO

SOURCE: LA TERCERA

TEXT: The Central Workers' Union (CUT) reached a compromise with the Frei administration Wednesday on the minimum wage, agreeing to incremental raises which will bring it to 100,000 pesos a month (US\$221 at today's exchange rate) by the year 2000. This was the first time in five years that the government and workers came to an agreement on the minimum wage increase. The agreement will directly affect an estimated 400,000 workers now receiving the minimum wage, part of an estimated workforce of 5 million people.

The issue received additional exposure this year because negotiations began just after International Workers' Day, where the CUT and other entities made a call for social justice commensurate with Chile's exceptional macroeconomic figures. Chile's income distribution, according to recent reports from the

Inter-American Development Bank (IAD) and the Economic Commission for Latin America and the Caribbean (CEPAL), is tied with Brazil for the region's worst.

The CUT originally sought to bring the minimum wage up to US\$232 this year, which would have been an unprecedented increase of 45 percent from the current level of US\$158.

Sources had said the administration was open to an increase of up to 8 percent, which would have brought the wage this year to just over US\$170. Instead, President Frei's negotiators agreed to raise it to US\$178 this June (an increase of 12.75 percent) to go up to US\$200 in June 1999, and finally to US\$221 in June of 2000.

CUT President Roberto Alarcon and President Frei signed the deal yesterday afternoon in La Moneda presidential palace.

Frei said the agreement indicates both parties' openness to dialogue, and praised the way they balanced the criteria of competitiveness and equity. Last year the administration pushed the wage up 9 percent, adjusting only for inflation and productivity. In 1990, the minimum wage was US\$40. This year's raise therefore represents a real increase of 84 percent, cabinet officials said.

Economy Minister Alvaro Garcia said the accord demonstrates the administration's commitment to the underprivileged. Garcia nonetheless said the government is concerned about the wage situation of workers age 18 and under, for whom the minimum wage is US\$117. The administration agreed to raise this amount by 8 percent, based on inflation and productivity increases.

CUT President Alarcon said the CUT had hoped for more, but the administration succeeded in waving the "phantasm" of macroeconomic indicators and anticipated inflation and productivity.

The business community, represented by the Production and Commerce Confederation, labeled the increase a "bad sign for the country," noting that the raise exceeds the increment in inflation and productivity.

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HEADLINE: CURRENT EVENTS BRIEFS

KEYWORDS: POLITICS; ECONOMY; INTERNATIONAL; ENVIRONMENT

SOURCE: EL MERCURIO

SOURCE: LA TERCERA

TEXT: Today's other headline stories in brief:

-- ZALDIVAR CLOSE TO GETTING PDC NOMINATION.

Santiago Mayor Jaime Ravinet, a member of the Christian Democrat Party (PDC), will announce late this morning whether or not he will continue in the race to become the PDC's nominee for the 1999 presidential race.

Ravinet's competition for the nomination, PDC Senator Andres Zaldivar, received the support yesterday of 27 of the PDC's 34-member Chamber of Deputies delegation, thus putting increased pressure on Ravinet to bow out of the race. Four of the PDC's 14 senators have also publicly voiced their support for Zaldivar. PDC Senator Gabriel Valdez bowed out of the contest earlier this week, citing dirty politics on the part of Senator Zaldivar as part of his reason for doing so.

The PDC leadership has hoped to find a consensus candidate for a party and avoid a primary race that could divide the party.

If Ravinet decides to continue in the race, he must formally file his candidacy before 12 noon Friday and then begin a campaign among party members leading to a vote at the end of May.

The PDC nominee will face a tough race against Public Works Minister Ricardo Lagos, the candidate representing the center-left parties of the governing Concertacion alliance for the 1999 presidential election. (Ed note: See interview with Lagos below.)

-- SQUATTERS OUSTED FROM HOUSING PROJECT. Seventy families that had occupied 30 government-financed apartments in the villa Volcan San Jose 3 were removed from the housing units by Carabinero Police early Wednesday morning. Resistance to the forced removal was minimal in that many of the men and women involved in the take-over were absent during the morning, seeking an audience with government housing officials.

The squatters had occupied the apartments when the owners of the newly built government housing had - for various reasons - delayed moving in.

Chile's government has a policy of providing housing for low-income families at favorable interest rates, but the wait for such housing can often be as long as six to eight years.

The ousted squatters prepared a soup kitchen yesterday afternoon, with food donated by the owners of the apartments that had been vacated. The squatters said they had nowhere to go, and were asking housing project residents to give them the

plastic nylon to provide minimum shelter.

The plastic nylon is left over from last year when heavy rains revealed serious structural problems at the housing project, temporarily relieved by placing the plastic on top of and around the leaking apartment buildings.

-- AUTHORITIES DECLARE ENVIRONMENTAL ALERT.

Environmental authorities have declared an environmental alert for today and tomorrow, as the air quality in the Metropolitan Region took a turn for the worse starting Monday.

Four pollution monitoring stations yesterday registered contamination levels above 200, which allows authorities to declare a 48-hour environmental alert.

Today, vehicles with license plates ending in 5,7,1 and 3 are restricted from circulation, whereas tomorrow restricted vehicles are those with plates ending in 2,4,6 and 9. Environmental alert does not affect the normal functioning of industries, but if the air quality continues to deteriorate, authorities could call for an environmental pre-emergency, in which case there are limitations to industrial functioning. Authorities call for pre-emergency when contamination levels surpass 300.

-- INDIGENOUS RECEIVE RIGHTS TO ALTIPLANO RIVER USE.

Chile's Supreme Court yesterday ruled that Atacama indigenous groups will maintain their water rights of altiplano rivers, considered essential for irrigation and drinking.

The decision was the direct rejection of a petition for the annulment of these rights presented by Mario Schellman, advisor to the Region II governor's office. The court ruling also put an end

to a two-year debate among the National Indigenous Development Commission (Conadi), the Atacama People's Advisory Board (CPA), the National Forestry Agency (Conaf) and the municipality of San Pedro de Atacama.

This dispute began in 1996, when Mario Schellman petitioned for the concessions to water rights of the Quepiaco and Alitar rivers, with plans to extract 220 and 130 liters per second, respectively. Schellman's petition met strong protest from the community of Toconao, as water from these rivers is used for planting and grazing animals.

Conaf said that if Schellman's petition had been approved, the diminished water supply would have seriously affected the ecosystem in the National Flamingo Reserve, where more than 15 rare bird and mammal species live and reproduce. Conadi lawyer Alonso Barros said Schellman was planning to use the water rights to exploit a nearby sulfur mine.

-- PEHUENCHE WRIT OF PROTECTION REJECTED. The Concepcion Appeals Court yesterday rejected a writ of protection presented by a group of Pehuenches against Endesa, Pangué and Besalco for supposed damage to their property due to preliminary construction of the Ralco hydroelectric dam. Sergio Oliva, the lawyer representing El Avellano cacique Jose Curriao and 10 other indigenous farmers, said Besalco's work in the area has caused permanent damage to sacred religious areas, namely the "machicura rock" where the Pehuenches carry out ceremonies.

The appeals court rejected the writ, saying the work protested by the indigenous people is not contrary to any legal

norm. Besalco lawyers Fernando Saenger and Waldo Ortega said the construction company had received all necessary administrative approval to carry out the project.

The work consists of improvement of a 20 kilometer stretch of road between El Saltillo and Palmucho, with a cost of US\$8.4 million, the installation of electric transmission lines, and the construction of housing, workshops and stores for project workers.

The US\$463 million Ralco hydroelectric project consists of construction of a dam 155 meters tall and 370 meters long, which will form a 3,467 hectare reservoir with a 1.2 billion square meter water capacity. The creation of this reservoir means flooding of Pehuenche lands. Endesa has been negotiating with as many as 96 families to relocate them to other properties.

Ralco has also met the strong rejection from national environmental groups, although the National Environmental Commission (Conama) has approved the project.

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HEADLINE: INTERVIEW WITH RICARDO LAGOS

Presidential Front-Runner Explains His View On Pinochet

Accusation And Other Issues

KEYWORDS: POLITICS

SOURCE: EL MERCURIO

TEXT: (Ed note: Although viewed as the leading contender to represent the Concertacion alliance in the 1999 presidential contest, Ricardo Lagos prefers talking about his work as Public Works Minister rather than speculating about his political future. Still, in the following interview that appeared on May 3 in El

Mercurio, Lagos responds to a number of tough questions concerning his political outlook and current events in Chile).

Q: What was your position on the constitutional accusation against Pinochet?

RL: I agreed with what President Frei said. It was not the right time to debate it. Still, once it was determined that Frei's counsel was not going to be heeded and the accusation was formally presented, it became very difficult for the Concertacion to vote against it.

Q: Why didn't you say that publicly?

RL: In an interview with a Concepcion radio station I said the Concertacion should support the accusation. But, of course, since I was in the provinces, no one was listening!

Q: So you definitely supported the accusation...

RL: ... Let me put it this way. If the accusation had been against someone other than Pinochet, but who had acted in the same way, the "boinazo," the calling of the troops to their quarters and all the rest, does anyone doubt that that person would have been condemned and sanctioned? It is so obvious...

Q: The final upshot was that the Concertacion was divided, and the Christian Democratic Party in chaos...

RL: But there is more. The divisions within the parties will heal, but what about the public image that we have given? What explanation can we give? A few days later Clinton comes to Chile and gives a speech that scandalizes some (right) politicians. The world just cannot understand what is going on here. How can the world understand that the Concertacion, which has a majority in

the Chamber of Deputies, votes the way it votes? ... I said from the beginning that if it wasn't certain the accusation would pass, then it should not have been presented.

Q: Were your political ambitions helped or hurt on March 11 when Pinochet assumed his lifetime Senate seat?

RL: I don't spend my time making election calculations. It seemed to me that the least that could have been done was to give a clear demonstration of repudiation for what was happening. Someone was entering the Senate who had exiled and tortured many of our nation's senators. The worst thing would have been if nothing had occurred. And what did occur? A very dignified and expressive act. And that was it!

Q: The demonstrations both inside and outside of the Congress, for many Chileans, brought to mind the days of the Popular Unity government of Allende.

RL: This is a theme that has been present throughout Chile's history: in Leon's campaign in 1920, Aguirre Cerda's campaign in 1938, Gonzalo Videla's in 1946 and Ibanez in 1952. And in all of Allende's campaigns, of course. With Patricio Aylwin in 1989... . And I have no doubt they will repeat themselves with me if I am a candidate. It's part of Chile's landscape. The right just doesn't have much imagination.

Q: It doesn't take much imagination with such evocative scenes. Certainly a "campaign of terror" will be used against you.

RL: And other people will have the terror that the right might return to power and repeat the things they did before. That means that we all will be terrorized. If an effort is made to revive

polarization in Chilean society... I think it will be very regrettable.

We have tried to take the high road and work faithfully to construct a future for this country.

Q: But isn't there a contradiction here, between your notion of constructing the future and participating in acts that divide us?

RL: It's General Pinochet who divides Chilean society... . He has always divided us, but fortunately he is more and more a figure from the past. To the extent that he remains in the past, we have a chance to construct a future...

Q: If you had been a senator, whose portrait (of a disappeared person) would you have displayed on the day of Pinochet's swearing in?

RL: Most likely Enrique Paris.

Q: What would a race with Las Condes Mayor Joaquin Lavín be like?

RL: Presidential themes must be assessed all in their own time. But more than a race against an individual, what will really be in question is whether or not we maintain our effort towards modernization with greater equality for all, or whether we support a retrograde project. That is what we will need to confront.

Q: Lavín's political project is retrograde?

RL: I would say that if you expect the marketplace to resolve all issues, then this means that the public's wealth will be less equally distributed among all Chileans. This means health and education. To have strong public policies assuring this doesn't happen will help guarantee the election of a third Concertación

government.

Q: But you are for keeping the free market system?

RL: Of course. The free market economy is not being questioned. The market is neither a capitalist nor a socialist instrument. It is just that society defines certain things as of a higher order, as public goods. And if the market cannot satisfy those demands, then society has to take them up. Like education and health.

Q: You are against private health care?

RL: Private health care is splendid. If you can pay for it, all the better. Still, there is not a single country in the world which doesn't have some kind of public health care system... In the United States where private health care is the strongest, between 14 and 15 percent of the GNP is destined to health care. In Europe, between 8 and 9 percent. Chile spends between 3 and 4 percent.... The real problems occur when there is a catastrophic illness. When these occur, the private health care systems tend to want to disengage...

Q: And what about education?

RL: You can say something similar. Why not give a voucher to everyone and let them buy their own education? ... Since I am a minister and have a relatively good income compared to most, I will spend my voucher on my daughter, but add another 40,000 pesos from my own pocket. The really rich person will use their voucher, and add another 60,000 pesos. While the poor person is left with just the bare subsidy. ... If the aim is to have better access for all to health and education, then there will have to be a

much more activist policy developed. And that is achieved with public health care systems. It is not a question of ideology. Look at how European countries function. There is a lot to be done here in Chile. But we can go much further than we could 10 years ago because of our economic growth.

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HEADLINE: MINING NEWS ROUND UP

KEYWORDS: MINING

SOURCE: EL MERCURIO

SOURCE: EL DIARIO

TEXT: Today's mining news, as it appears in the national media:

-- SAN ANTONIO PROJECT DELAYED. Codelco's bidding process for the joint venture development of the San Antonio mine will be delayed, Codelco officials announced Wednesday.

Initial bids would have been received April 21 through 24, and then forwarded to executive directors' board for review on April 27.

The San Antonio mine is located in Region III and is expected to produce 50,000 mtpy of fine copper. Codelco's initial proposal called for the sale of as much as a 95 percent stake in the mine, although that figure could be lowered if the bids are not as attractive as the company hopes for.

-- OUTOKUMPU CONFIRMS INTEREST TO SELL ZALIDVAR.

Katarina Lybeck, a spokesperson from the home office of Finland's Outokumpu, confirmed to Reuters in Europe Wednesday that the company is studying alternatives relating to the sale of its 50 percent interest in the Zaldivar copper mine.

Company spokespersons in Santiago yesterday refused to make any comment to CHIP News, but local media reported that Outokumpu is ready to sell its 50 percent interest to Placer Dome or to seek out a buyer to purchase the whole project. The reports added that Placer Dome is unlikely to be interested in purchasing Outokumpu's half of the mine because it wants to concentrate its efforts on gold mine exploration and development projects.

Zaldivar began operating in 1995, producing 22,300 mt of fine copper. It is expected to reach maximum output this year of 125,000 mt, after producing 103,000 mt in 1997. The mine has an estimated life of 19 to 20 years. Total mineral sales are projected at US\$6 billion, while construction costs were US\$600 million. Cash production costs are estimated at US\$0.49 per pound, one of the lowest in Chile's copper mining sector.

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HEADLINE: BUSINESS BRIEFS

KEYWORDS: ECONOMY; INTERNATIONAL; NAFTA

SOURCE: EL MERCURIO

SOURCE: EL DIARIO

TEXT: Today's top business stories:

-- CHILE AND PERU REACH FREE TRADE AGREEMENT. Half of Chilean exports to Peru will cease to pay duties immediately or within the next five years, thanks to a new trade agreement the two countries signed this week.

The Chilean government announced Tuesday that it had finalized the free trade agreement with Peru after three years of

negotiations. The director of International Economic Relations, Juan Gabriel Valdes, said he was satisfied with deal, which came after 14 rounds of talks.

He said the deal will come into effect June 1. Duties will be phased out gradually, with 2,600 products becoming exempt immediately. These products include copper, wood pulp, produce, poultry and some textiles.

The countries have also set up safeguards to review the agreement after five, 10 and 15 years, with the goal of complete free trade by 2015. The agreement means that Chile now has trade agreements with all countries in the region except Bolivia.

-- ENERSIS LOSES OUT ON MENDOZA BID. Chilean power company Enersis lost in its bid to buy out Mendoza Water Treatments on Monday. The winning consortium, led by Saur International and U.S. company Enron, bid US\$132 million. The consortium led by Enersis bid less than half that figure, US\$53 million. Chilean company Chilquinta also failed, with a bid of US\$65 million.

The selling of Mendoza Water Treatments is part of a concerted privatization program by the regional government.

-- COPEC NET PROFITS FALL. Sales of Copec's liquid fuels fell 9.7 percent last quarter compared to figures for 1997. The company, which belongs to the Angelini Group, said its decline corresponded to a 4.5 point drop in its market share. The company attributed the fall to a drop in sales in its electricity generating subsidiaries in northern Chile, and, to a smaller degree, increased competition from natural gas.

-- EDESUR ANNOUNCES BIG INVESTMENTS. Enersis' Buenos

Aires subsidiary Edesur has announced a US\$140 million investment package for 1998. The power company's President Jose Antonio Guzman said it will also cut rates by 5 percent as of May 1.

The company made the announcement Wednesday morning after a half-hour meeting with Argentine President Carlos Menem. Guzman said that since Edesur has been at the helm (beginning in 1992), rates have fallen 23 percent. This year has also seen an 84 percent drop in power outages, a phenomenon that plagued the Argentine capital between 1992 and 1997.

Guzman said the 1998 investment budget will be 22 percent more than the previous year's, with 60 percent destined to improve customer services.

-- BUENOS AIRES TOP DESTINATION. Buenos Aires was the top destination for Chileans over the first quarter vacation season, said a recent Civil Aeronautics report. The principal motive for trips there was business.

Lan Chile, European airlines and Argentine airlines compete closely in this route, with all offering reduced prices. First quarter figures showed that 195,168 passengers traveled to the Argentine capital, beating holiday destinations such as Miami, which had 109,274. Lan Chile captured the largest share, with 58 percent of the passengers to Argentina, followed by Aerolineas Argentinas, with 28 percent.

In related news, Lan Chile has announced seven more flights as of June 1 to cater to World Cup demand.

-- BIO BIO PLANT SET IN CONCRETE BY SEPTEMBER. Bio Bio Concrete Ltd. is to commence production at its new plant in Curico by September, company Manager Hernan Briones said Monday.

The plant has cost US\$145 million to build and is presently undergoing trial runs. Briones said that once production begins the plant will produce one million tons of concrete a year, taking total Bio Bio production to 2.2 million tons annually. Briones said phase two for the new plant would mean doubling production to 2 million tons, but this would require a further investment of US\$5 million.

Briones said Bio Bio's priority is to maintain last year's profit margin, despite a predicted fall in the price of cement of around 10 to 16 percent. He said this could be offset by a 6 percent growth in the market.

-- GASATACAMA PROJECT TO GO AHEAD. GasAtacama will go ahead "with or without Endesa," CMS Energy Vice-President Francisco Mezzadri said Tuesday. The GasAtacama project will pipe Argentine natural gas across the Andes into Chile's Region II.

The CMS-Endesa partnership has been strained amid accusations of disloyal conduct and profound business differences. CMS has accused Endesa of negotiating with Belgian company Tractabel, presently developing the rival NorAndino project. Experts say the demand for natural gas in northern Chile is insufficient to sustain both projects.

CMS said it suspects Tracabel and Endesa are colluding in an attempt to exclude it from competing in the Chilean energy market. Mezzadri said CMS will refer the case to the Anti-Trust

Commission so it can investigate.

The CMS project with Endesa is scheduled to finish by the third quarter of 1999. The rival project will be finished in 2000. Mezzadri said Endesa could remain within the GasAtacama project as a silent partner, but in compliance with contractual agreements Endesa would not be able to join the NorAndino project. Endesa has a US\$120 million stake in GasAtacama.

-- WINE EXPORTS UP. Exports of wine and champagne were up 33.86 percent last quarter over the same period last year, the Association of Wine Exporters and Bottlers said Monday. The growth in wine and champagne sales brought in US\$104 million extra revenue.

Between January and February of this year, Chile exported 48.1 million liters of wine, up 16.53 percent on last year, as compared to 41.3 million liters in 1997.

One of the biggest gainers was the Santa Emiliana vineyard, which saw its first quarter earnings rise from US\$3.2 million in 1997 to US\$7.7 million. The main destinations for Chilean wines were the U.S., Japan and the United Kingdom.

-- LIDER TO OPEN MORE STORES. The Lider supermarket chain is to open six more stores in 1998. The stores, each costing US\$30 million, will be located one each in the cities of La Serena, Concepcion, and Belloto, and three in Santiago. Lider's General Manager Juan Alcalde said the store expects sales in the region of US\$450 million in 1998, an increase of 27 percent.

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-- BASIC ECONOMIC INDICATORS :

Dollar's value: Observed, 452.93; Accord, 470.50

Interbank, 453.20

Today's Unidad de Fomento, UF: \$14,253.73===== ATTACHMENT 1

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

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X-Sender: chip@voyager.netalta.cl

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

ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: anderson (anderson@chip.mic.cl@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:25-MAY-1998 11:03:00.00

SUBJECT: CHIP News for May 25, 1998

TO: Steven J. Ronnel (Steven J. Ronnel@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

May 25, 1998

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HEADLINE: ADMINISTRATION TRADES BLOWS WITH OPPOSITION

Over State Of The Nation Address And The Concertacion's

Effectiveness

KEYWORDS: POLITICS

SOURCE: EL MERCURIO

SOURCE: LA TERCERA

TEXT: The Frei administration and the conservative opposition

parties exchanged harsh words this weekend over President

Eduardo Frei's State of the Nation address last Thursday.

The president's fifth and second-to-last State of the Nation focused on his administration's achievements so far and what remains for the country to do as the year 2000 approaches. The president focused on social issues, including pensions, education and crime, and proposed bills to reform campaign financing and to reduce import tariffs.

Frei also made two proposals which have earned immediate rejection from the right. One is a bill to eliminate as a national holiday September 11, which the military government established to commemorate the 1973 coup in which it ousted socialist

President Salvador Allende. September 11 typically brings violent clashes between police and protesters, and stokes decades-old divisions. The other proposal would extend the president's power to call national referenda, specifically in order to reform the 1980 Constitution implemented by the Pinochet regime.

Opposition parties Renovacion Nacional (RN) and the Independent Democratic Union (UDI), displaying a unity little seen in recent times, held a press conference immediately afterwards in which they said Frei's speech showed his government to be ineffectual and lacking new ideas. They accused the president of ignoring key issues, including the environment and health care, in place of political ones like the September 11 holiday.

(Nonetheless, several conservative legislators, including former Carabineros Director and designated Senator Fernando Cordero, said they would support the bill if it would contribute to national reconciliation.) The opposition also said the referendum bill would destabilize the country's institutions, and made it clear they would defeat it.

On Friday, top Frei ministers Jose Joaquin Brunner and Carlos Figueroa fired back. Secretary General to the Government Brunner said the right had its response to Frei's speech prepared ahead of time. "This opposition is not very serious, is enormously arrogant and has begun to develop an aggressive language that hides its lack of ideas and proposals, and yesterday they demonstrated this fact in the most regrettable fashion," he said. Interior Minister Figueroa remarked that the opposition "rejects everything" and opposes things that seem obviously necessary to

the country's progress. He also responded to the criticism that Frei proposed nothing new: "With the good that we've done, there would be nothing wrong with more of the same."

The right has not been the administration's only critic, however. Within the Concertacion, there are signs of a growing sense of discouragement or misdirection. Last week, 60 leading Concertacion members signed a document called "Renovating the Concertacion," in which they discuss the many shortcomings of the administration and the governing coalition in general, and attempt to point out solutions. On Friday, Party for Democracy (PPD) President Sergio Bitar, while recognizing the Concertacion's successes, said the country feels frustration over inequality and the stalling of the transition to democracy. Socialist Party (PS) President Camilo Escalona criticized the existence of complacency within the governing coalition, referring to "Renovating the Concertacion."

President Frei responded to these concerns Friday at a meeting of the PPD General Council, saying that he has never felt satisfied with the Concertacion's accomplishments because the country has changed and must confront new challenges. He said this necessary self-criticism need not turn into defeatism, however, and he called on his fellow Concertacion members to avoid discouragement and complacency.

The president also took his own shot at the right, calling it "mediocre and minoritarian, anchored in authoritarianism."

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HEADLINE: CURRENT EVENTS BRIEFS

KEYWORDS: POLITICS; ECONOMY; INTERNATIONAL; ENVIRONMENT

SOURCE: EL MERCURIO

SOURCE: LA TERCERA

TEXT: Today's other headline stories in brief:

-- US DEFENSE SECRETARY ARRIVES. U.S. Defense Secretary William Cohen arrived in Chile Sunday afternoon for an official visit with government and Armed Forces officials. Cohen came from Buenos Aires, Argentina, where he met with President Carlos Menem and other authorities.

Cohen's visit comes just as the Chilean Air Force (FACH) is considering purchasing F-16s, manufactured by Lockheed-Martin Corp., or F/A-18s, manufactured by Boeing Co. European manufacturers are also competing for the contract. The deadline for submitting final offers is today, after having been postponed twice.

Cohen has not framed his visit as a lobbying effort for the U.S. companies, but did address in Buenos Aires concerns that Chile's new fighter planes could contribute to a regional arms race. There is no threat of arms escalation, he said, given that today's Latin America is a far different - and far more democratic - one than it was years ago. He also said Chile and Argentina have made enormous progress toward resolving their differences.

President Menem and Argentine Defense Minister Jorge Dominguez agreed with Cohen, as did Chilean Defense Minister Raul Troncoso, who on Sunday said Chile's purchase is merely to replace aircraft which have been in service for more than 30 years.

-- DEPUTIES PROPOSE ENVIRONMENTAL CRIME LAW. The Legislation, Constitution and Justice Commission of the Chamber of Deputies Friday announced plans to submit a bill that would jail persons or companies who damage the environment, whether intentionally or not.

The bill lists as an environmental crime any act which compromises environmental quality norms, which can include the emission or production of biological or chemical substances or the generation of power, vibrations or noise which could alter the environment. Jail sentences would range from one year to 541 days. If the company is the perpetrator, the case judge could temporarily or permanently close down operations.

Commission member Zarko Luksic said the Environmental Framework Law establishes responsibility for any entity causing environmental damage, but this responsibility has no legal penalties. If this law had been in effect, he said, those responsible for the smog, the lead in Antofagasta and Codelco contamination in Rancagua would all be in jail. The deputies said, "Environmental deterioration is an alarming reality in this country, and it is growing progressively."

In related news, last week's smog alerts compelled Health Minister Alex Figueroa to call Friday for the speeding up of a supreme decree to lower maximum concentrate levels in the air, leading to energy measures that will protect the population. The decree, which has been sitting in the Comptroller General's office for the past three months, would trigger environmental alerts and emergencies at lower levels than those currently used. The decree

will also establish a model to study climate patterns, with the objective of predicting the likelihood of environmental emergencies. Last Monday marked the first environmental emergency in six years, after air pollution indicators exceeded 500. The Metropolitan Region government closed hundreds of factories for a day, restricted the circulation of 350,000 and kept thousands of children out of school. Meteorological officials nonetheless said the government could have predicted the emergency the previous Thursday.

The National Environmental Commission (Conama) has taken heavy criticism for failing to react sooner, with members of the "green faction" of the Chamber of Deputies calling for the resignation of Conama top officials. Conama, however, blames climatic phenomenon, namely a warm front that kept smog in the central valley rather than blowing it away, for the environmental emergency. Conama Director Rodrigo Egana said last week's events should not be seen as a crisis; the air did not contain any more particulates, he said, the hot air just pushed the particulates closer to the city.

Meanwhile, the Medical Association has decided to postpone legal action against those they consider responsible for last week's emergency. According to epidemiological studies, five people likely died prematurely due to the smog last week. Hospitals suffer under these extreme conditions, as they don't have the capacity to treat all people, mostly children and senior citizens, who come in with respiratory problems. The Association said it would watch how authorities handle the next pollution

emergencies, and can reinstitute legal actions at any time.

-- SPAIN AND CHILE TO MAINTAIN DEFENSE DIALOGUE.

The Defense Ministers of Chile and Spain agreed Friday to maintain a permanent dialogue on defense and other issues.

Spain's Defense Minister Eduardo Serra completed Friday a three-day state visit to Chile, holding a series of bilateral meetings in Santiago. The meetings also initiated the Hispanic-Chilean Mixed Commission, established in 1997, which consists of work groups in the areas of defense policy, military cooperation and technical-industrial cooperation.

The ministers said their agreement shows that both are happy with the current state of relations between the two countries. Both agreed that it is important to be very transparent in defense policy, and said the continuation of delegations and meetings with groups of experts will improve communication between Chile and Spain on matters of defense. They reiterated the common goal of maintaining and promoting peace and security in the Ibero-American region, and said transparency in defense policy is the best way to reach this goal. Both applauded the publication in Chile of The National Defense Book, and how this book has inspired the development and application of Mutual Confidence Measures in the region.

-- UNITED STATES AMBASSADOR RECEIVES DISTINCTION.

Foreign Relations Minister Jose Miguel Insulza Friday presented U.S. Ambassador to Chile Gabriel Guerra-Mondragon with the Great Cross of Honor, as the ambassador is leaving his office at the end of May.

This presentation was made during a lunch Insulza held in honor of Guerra-Mondragon at the Andres Bello Diplomatic Academy. Various government and diplomatic figures attended the lunch.

Guerra-Mondragon has represented the United States for the past four years in Chile.

President Clinton announced at the beginning of this month ago that the nominee to replace Gabriel Guerra-Mondragon as U.S. ambassador to Chile is John O'Leary, of Portland, Maine.

O'Leary is a partner at the law firm of Pierce Atwood. he has 24 years of legal experience, focusing on environmental, trade practice, public utility and corporate litigation.

O'Leary's professional experience with respect to inter-American affairs has included serving on a three-member United States team that assisted the government of Bolivia in sustainable development matters, and leading the natural resources and environmental protection committee of the Inter-American Bar Association, including the association's activities in Chile. In March 1997, he organized and chaired a major conference in Argentina on "Development, the Environment, and Dispute Resolution in the Americas," the first such American Bar Association meeting ever convened in South America.

Born January 16, 1947, O'Leary is a lifelong resident of Portland, and a 1974 graduate of Yale Law School.

-- RIOS BLAZES TRAIL TO VICTORY. Chilean tennis star Marcelo "Chino" Rios won his fifth title this year Saturday by roundly defeating Chicago native Vincent Spadea in the finals of

the Sankt Polten, Austria tournament.

Rios, ranked No.3 in the ATP, beat 62-ranked Spadea 6-2, 6-0, in 50 minutes of play.

Rios said he has fully recovered from the injury which forced him to sit out for several weeks, losing the No.1 ATP ranking he earned in March. He began play today at the Grand Slam tournament in Roland Garros, Paris, where defending champion Gustavo Kuerten, of Brazil, says Rios is the favorite.

In related news, actress Sharon Stone pledged US\$1,000 on Friday at the Cannes Film Festival for one hour of tennis with Rios. The money will go to fund AIDS research.

In other sports news, Chile's national team ("La Roja") ended its final home match before traveling to France for the World Cup in a disappointing 2-2 tie with Uruguay, an unqualified team.

The good news for "La Roja" was that signer/actress Madonna, in a survey last week by the Italian media about the sexiest men in the World Cup, named the team's star forward Ivan "Bam Bam" Zamorano as No.1. Zamorano, told that Madonna said that when she sees him she thinks of sex, said, "And she's only seen me with my clothes on."

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HEADLINE: NOTHING NEW UNDER THE SMOG

Columnist Says Authorities Have Been Acting Worried For Decades,
With Little Result

KEYWORDS: ENVIRONMENT; POLITICS

SOURCE: LA EPOCA

TEXT: (Ed. note: The following is an excerpt from "Sin Remedio"

("Without Remedy") by Hernan Millas, in the Sunday La Epoca).

Little could be seen of Santiago in the magazine photo. The caption read: "City Covered in a Cloud of Smog." The headline was more dramatic: "Smog, Assassin of the Air."

Articles like this can be found in every newspaper. The difference is that the above report appeared in Ercilla magazine on August 14, 1968. At that time, 30 years ago, all the headlines sowed terror. "Santiaguinos Breath Death. 13 Tons of Dust per Square Meter Fall Monthly," "Every Visitor to Downtown Breathes 10 square centimeters of Toxic Material in Three Hours."

The authorities of the day expressed their concern. They decreed fines for polluting industries and a five-year deadline to eliminate smokestacks within city boundaries. The Institute of Labor Hygiene and Air Pollution announced that it was conducting "valuable research." "We are working hard," an official stated, "to determine whether our smog is the kind that hit Londoners, made up of coal particles, or the Los Angeles type, from petroleum."

Was the study ever finished? More importantly: measures were then being adopted that would free Santiago of the scourge of air pollution within 10 years. That is, the problem should have ended in 1978.

It hasn't ended, but it has changed. In 1968, there were 100,000 cars circulating on the roads; today, there are over one million. At that time, the danger was downtown and both adults and children were advised to avoid going there. Today, the highest rates are not found downtown but in outlying neighborhoods like El Bosque, Lo Espejo, San Ramon, Cerrillos,

Maipu, La Florida and Penalolen. No one escapes.

Thirty years ago, authorities were talking about 190 polluting industries that were supposed to leave Santiago within the next five years - that is, before 1973. Why, then did the head of the Metropolitan Environmental Health Service, Dr. Mauricio Ilabaca, say last week that, due to the smog emergency, 235 contaminating industries in Santiago must temporarily shut down? And what about the 190 industries of 30 years ago? Did they leave and come back again, while another 45 set up?

And the residents of this city felt grateful to Pedro de Valdivia for his good judgment in founding Santiago on this spot.

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HEADLINE: MINING NEWS ROUND UP

KEYWORDS: MINING

SOURCE: EL MERCURIO

SOURCE: EL DIARIO

TEXT: Today's mining news, as it appears in the national media:

-- ESCONDIDA GROUNDS TO A HALT. Workers at the Escondida copper mine in Region II said this weekend that they have halted production following the death of a worker believed to be caused by the killer virus Hanta. However, executives from the mine vehemently denied that mine production halted and have kept tightlipped on the death of worker Pascual Huenchuman.

On Saturday, Carlos Ortiz, president of contractors' union Sinami, called on workers to stop working until a definite answer as to what killed fellow worker Huenchuman is established. So far

4,000 worker have heeded this call. Sinami also reported that 27 other workers were taken to hospital for checks since work allegedly stopped on Saturday night.

Ortiz said Huenchuman had been taken to the hospital with breathing difficulties and died soon after suffering Hanta-related symptoms. He said the stoppage will last until Tuesday, when a medical team from the Public Health Institute (ISP) in Santiago will report on blood test carried out on the deceased.

Meanwhile, Escondida Manager for Corporate Affairs Jorge Zebollas denied the mine has stopped. He said that until the results from the ISP report are published, the true nature of Huenchuman's death cannot be known.

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HEADLINE: BUSINESS BRIEFS

KEYWORDS: ECONOMY; INTERNATIONAL; NAFTA

SOURCE: EL MERCURIO

SOURCE: EL DIARIO

TEXT: Today's top business stories:

-- TARIFF CUT WILL CAUSE DROP IN INFLATION. The import tariff cut announced this week will reduce inflation and boost the Chilean pesos against the dollar, Economy Ministry policy coordinator Guillermo Larrain said Friday. President Frei announced in his State of the Nation address last Thursday plans to cut tariffs by 5 percent, from 11 percent to 6 percent, over three years. The first cut of 3 percent would take place in January 1999.

Larrain said the tariff cuts could raise Chilean pesos 3

percent against the dollar, while inflation could also fall between 0.7 and 1 percent next year. Questioned about a possible balance of trade deficit, Larrain said any rise in imports would be counteracted by an expected growth in Chilean exports.

Finance Minister Eduardo Aninat also addressed on Friday the issue of how the government will recover lost revenue from tariffs. He said the government is considering several approaches, including levying "sin taxes" on tobacco, gambling and alcohol. Other tax rises could come in the way vehicle tax, a measure aimed at reducing Santiago traffic congestion and improving air quality, as well as greater inheritance taxes.

-- US\$170 MILLION SANDWICH. Forty percent of Chileans took the day off work last Friday, costing the Chilean economy US\$170 million, according to figures released by the Chilean Chamber of Commerce. As Friday followed Thursday's national holiday (Navy Day), many Chileans took the Friday off and enjoyed a long weekend.

On the positive side, the lack of economic activity helped alleviate traffic and improve air quality in a week when Santiago called its first environmental emergency in six years.

- CORP GROUP SET TO BUY CONDELL. The Corp Group is set to buyout Condell Finance group for around US\$75 million. Sources close to the to parties say an announcement will be made later today. The buyout will follow other recent high profile acquisition by Corp. In April, Corp bought AFP Proteccion, followed by the purchased AFP Union earlier this month.

-- CHEMICAL INDUSTRY FROTHING. The Chilean chemical

industry is set to grow 6 percent in 1998, Chilean Chemical Industry Association (Asiquim) says. The forecast follows industry profits last year of US\$1.5 billion, up 54 percent on 1996.

Asiquim said the good results came in part thanks to the construction of a second plant by methanol producers Methanex. The new plant has a production capacity of 925 million metric tones of methanol per year and cost US\$275 million to build. Plans have been drawn up for the construction of a third plant next year, an investment of US\$300 million.

Nevertheless, market analysts say consistent falls in world methanol prices since 1994 are cause for concern despite improved sales. This year the chemical industry is set to export US\$800 million, up from US\$750 million in 1998.

Asked whether the Asian Crisis had affected the industry, Munoz said no, adding that the industry's exports have concentrated in Europe (29.6 percent), the U.S. (21.5 percent) and the countries of Mercosur (24.6 percent).

-- MEXICAN TARIFFS BITE CHILEAN APPLES. Mexico raised its import tariffs on Chilean apples late last week from 13.3 to 20 percent. The move came after imports of the product exceeded the quota of 2,156.7 tons, agreed to in a 1992 bilateral accord known as ACE 17.

The Mexican Government approved the action, saying it will avoid damage to its domestic industry and ensure a fair level of competition. The new tariff will take effect immediately and will run until the end of the year. However, tariffs on apples will be removed completely in 2002 in compliance with the 1992 accord.

-- EXPOMIN DOES US\$960 MILLION BUSINESS. Transactions worth US\$960 million will take place during the next two months as a result of May's World Mining Exhibition for Latin America (Expomin), at the Santiago International Fairgrounds (FISA), according to event General Manager Jorge Solis. The figures were obtained via a survey conducted by pollsters Gallop.

Each year Expomin attracts over 2,000 mining related businesses to the FISA in Maipu. This year US\$65 million worth of merchandise was on display for the many thousands of visitors who turned up for the week-long event.

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-- BASIC ECONOMIC INDICATORS :

Dollar's value: Observed, 453.70 Accord, 470.62

Interbank, 453.60

Today's Unidad de Fomento, UF: \$14,285.92

Copper Price: Up 0.30%===== ATTACHMENT 1 =====
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TEXT:

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ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

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CREATION DATE/TIME:27-MAY-1998 07:38:00.00

SUBJECT: Early Report: ASIAN FINANCIAL CRISIS, middle east

TO: Steven J. Naplan (Steven J. Naplan@eop [UNKNOWN])

READ:UNKNOWN

TEXT:

In comment on the Asian financial crisis, foreign media analysts focused on the key role of the IMF, problems that could arise from the devaluation of the Japanese yen, and the threat that the Asian turmoil could yet spill over and cause great damage to economies in the West and the rest of the developing world. Pundits in Indonesia, China, Russia, Spain and Brazil hoped for a "flexible attitude" in the IMF's resuming loans to Indonesia and argued that "the IMF--not the G-7--should be the one to identify new risks in the international financial system." They also called, however, for a review of the role of the IMF and worried about a more "comprehensive crisis" as a result of the "costs of the economic adjustments the governments of the [Asian] region promised the IMF." Analysts in France and Spain noted the possible further devaluation of the Japanese yen, which they feared could trigger a corresponding fall in the Chinese currency and possible deflation in that country. They argued that an increase in the U.S.' commercial deficit with Japan is a price that "will simply have to be paid" if this will "avoid a depression in Japan." London's liberal Guardian was not so sure about the U.S. willingness to pay such a price: "America's bubble economy is acutely vulnerable to a worsening of Asia's troubles.... The new phase of the Asian crisis we are now entering could be a prelude to a trade war--initiated by protectionists in the U.S. Congress--and a major setback on Wall Street."

MIDDLE EAST: MORE PROVOCATIONS AND A CALL FOR ARAB SUMMIT

The media in the Middle East and some European countries gave top play to the Clinton administration's denunciation of House Speaker Gingrich's reported remarks regarding Secretary Albright, Mr. Gingrich's appearance before the Israeli parliament and the rising tensions in Jerusalem following the building of temporary structures by Jewish settlers in the city's Muslim Quarter. No comment was available from either Arabs or Israeli publications on the first two developments, however. Israeli writers condemned the action in Jerusalem by the settlers' association--Ateret Cohanim--as a "provocation" that might lead "to ceaseless friction between Arabs and Jews, ignite violence and accelerate the terror loop." Arab analysts had mixed reactions to Palestinian President Arafat's call yesterday for an Arab summit on Middle East peace issues. A Qatari observer endorsed the call, while an Egyptian editorial urged all Arabs to "employ international sympathy for the Palestinian people." Conservative Al-Riyadh, on the other hand, declared that Mr. Arafat, "because of the age factor," is "no longer suitable (to lead) a battle which needs leaders with vision, the ability to maneuver, and resolve." The paper instead suggested that Arabs should unite "to restore the Arab boycott, to reactivate the role of the Arab League...and to prepare for surprises, including military surprises."

BRIEFS

- U.S.-China: 'Beijing Never Interferes In Others' Affairs'
- India's Nuclear Tests: U.S. Reaction, Views From Russia, China
- WTO: 'Global Market War' Shaping Up?

-- Cohen To Argentina: 'Common Agenda' With U.S.

EDITORS: Mildred Sola Neely, Bill Richey and Kathleen J. Brahney

ASIAN FINANCIAL CRISIS: FOCUS ON IMF, YEN'S FALL, GLOBAL DAMAGE

INDONESIA: "Habibie's Economic Agenda"

The leading, independent, English-language Jakarta Post asserted (5/27):

"World Bank loans are badly needed to assist the immediate establishment of a social safety net, including labor-intensive programs to employ the millions of jobless workers. The longer such initiatives are delayed, the more serious become the risks of a new wave of social unrest and rioting engulfing the country. Speedy disbursement of aid from the Asian Development Bank is no less important because it will accelerate restructuring of the country's banking sector. Credits from country donors such as Singapore, the United States, Japan and Australia will help reinvigorate Indonesia's foreign trade, which is currently crippled because of the international communities' refusal to accept letters of credit from Indonesian banks."

"Create A Conducive Climate"

Business-oriented Bisnis Indonesia held (5/26): "If the IMF, often called an extension of the U.S., agrees to provide aid, we will then be able to take a deep breath. An IMF agreement surely will be followed by agreements by other international financial institutions and will be an encouraging factor for private institutions.... Political reform must

go along with economic reform."

CHINA: "Aid To Indonesia: IMF Raises The Ante"

Gao Shijun commented in the official Chinese Youth Party China Youth Daily (Zhongguo Qingnianbao) (5/27): "Indonesia's neighbors hope the IMF will adopt a flexible attitude in resuming loans to Indonesia because they are fearful of a further deterioration of the Indonesian economy and a potential subsequent wave of refugees crossing the borders."

SOUTH KOREA: "Indonesian Economic Reform: Military Holds Key"

An op-ed article in the pro-business Joong-Ang Ilbo (5/27) opined: "The political arena is bound to remain confusing for now, especially since the new president, who is struggling to stay alive politically, has neither time nor energy to resolve the country's financial crisis.... That the Habibie administration is a transitional one makes it even more likely that the economy is headed toward a collapse. Financial institutions have stopped functioning, and corporate funds are not flowing adequately.... Prospects for an economic recovery remain uncertain, even with the change in political systems. The military is almost blocking recovery in order to protect its economic privileges."

BRITAIN: "Bad Times Coming"

The liberal Guardian had this think piece by London University's Professor John Gray (5/27): "Asia's economic crisis has not ended. It has moved

into another and deeper phase that is bound to have serious repercussions for Western economies..... While turmoil in Asian financial markets may have helped trigger Soeharto's downfall, the long term economic damage it did in Indonesia could well have ensured the emergence, perhaps after a period in which the country becomes near ungovernable, of another authoritarian regime.... Conventional opinion is confident that, if only by default, through the disarray or meltdown of other types of capitalism, the Anglo-American free market has won out. But global laissez-faire has no long term winners. It is too volatile for that. Instead it works to transform all varieties of capitalism--including the American model whose victory is being trumpeted. America's bubble economy is acutely vulnerable to a worsening of Asia's troubles.... The new phase of the Asian crisis we are now entering could be a prelude to a trade war--initiated by protectionists in the United States Congress--and a major setback on Wall Street. In that event, with the sudden disappearance of considerable amounts of stockmarket-generated wealth, the triumph of the American model will surely follow the Asian tiger economies down the memory hole of history."

FRANCE: "Planet Concerned By Falling Yen"

Vittorio De Filippis commented in left-of-center Liberation (5/27): "China is indeed the giant that is at the core of a nightmare called deflation. A term which has remained dormant since the '30s.... Since the beginning of the Asian crisis, China's exports have been falling steadily.... For the

moment, China is resisting and Beijing continues to say it will not devalue its currency. Until when? If the yen continues to fall, it could bring back that very undesirable economic phenomenon, triggered by a fall of the Chinese currency. This is why Japan and industrialized nations have everything to gain in stopping speculation against the yen."

RUSSIA: "IMF's Role Needs To Be Reviewed"

Reformist weekly Itogi (5/26) published this comment by Sergei Strokan: "As the Big Eight talked about the IMF's leading role in resolving the Indonesia crisis, the bank's officials fled Jakarta, anxious for their safety. As a result, the Eight could do no more than urge economic and political reforms in that country. The mountain brought forth a mouse. Reassessing Soeharto's legacy calls for reviewing the role of the IMF and other international institutions."

SPAIN: "Collapse Of Yen"

Barcelona's centrist La Vanguardia noted (5/26): "Certain statements by American Treasury Secretary Robert Rubin, from which one could derive the conclusion that the yen should be allowed to fall in order to avoid the collapse of the Japanese economy, produced a tumultuous session in currency markets yesterday.... It seems clear that Rubin has opted for the lesser evil: At 140 or even 150 yen to the dollar--the rates he mentioned--the commercial deficit of the United States vis-a-vis Japan would become even more acute than it is. But if this is the price that has to be paid to avoid a depression in Japan, it will simply have to be paid. The truth is that after the last G-7 Summit in Birmingham, the

pessimism felt regarding the likelihood of Japan's being able to overcome its current economic situation without having to resort to extraordinary measures--and not just in the economic sphere--was fairly widespread."

"A Crisis Poorly Dampened"

Liberal El Pais opined (5/26): "The Japanese economy, as distinguished from the rest of those in the region, is of great import in the world and justifies the pressure being applied by other great powers on Japanese authorities to devise ever more effective budgetary measures. But if such pressure on Tokyo to open its financial system and adopt economic stimuli is seen as necessary, it should be no less essential for the international community to prepare remedies to combat financial crises with global ramifications like the one being experienced in Asia. The IMF--not the G-7--should be the one to identify the new risks in the international financial system and to make ready new response mechanisms in the areas of oversight and control that would allow such crises to be anticipated."

BRAZIL: "Asian Crisis Threatens Anew"

Liberal Folha de Sao Paulo (5/27) commented: "The Asian crisis threatens to overflow anew. While Indonesia tried to overcome, even partially, its political crisis, tremors started to affect the trust in other emerging markets. South Korea is again worrying the investors...not only for financial or exchange reasons but due to growing social instability. The costs of the economic adjustments the governments of the region promised the IMF face barriers that go further than pure economic rationality. The

financial crisis is an even more difficult political and social issue and...brings back the threat of a more comprehensive crisis capable of casting a shadow of

distrust over all emerging markets. Brazil, obviously is not immune to that. The devaluation of the Japanese currency has a negative impact over the 'tigers' such as Korea. In the end, only by recapturing exports and the return of confidence in the Asian currencies can create the basis of a return to stability."

MIDDLE EAST: MORE PROVOCATIONS AND A CALL FOR ARAB SUMMIT

ISRAEL: "A Provocation In Jerusalem"

Independent Haaretz's editorial judged (5/27): "The association's members are declaring that the erection of the structures is a 'proper Zionist response' to the murder of their friend, yeshiva student Haim Kerman, three weeks ago.... Without detracting from the gravity of the crime...it is impossible to approve the method they chose to express their protest.... Ateret Cohanim got, at least in part, what it wanted: It increased binational tension and caused the Palestinian leaders' humiliation. This provocation must be eliminated from the onset and proper steps taken to pull down the structures, and principally created facts in the form of eight shacks alleged to serve as living quarters for its members."

"They Have Gone Too Far"

Head of the Arab desk Ronni Shaked wrote in top-circulation Yediot (5/27):

"In recent years, Jewish enclaves have started appearing in the heart of the Muslim Quarter.... Senior defense officials believe that this construction disturbs the stability and balance that have been maintained for many generations in the Old City. The present settlement could lead to a 'Hebronization' of Jerusalem that would lead to ceaseless friction between Arabs and Jews, ignite violence and accelerate the terror loop."

"Netanyahu Planning Asphyxiated Palestinian State"

Former Government Press Office Director Uri Dromi wrote in mass-appeal, pluralist Maariv (5/27): "As far as Netanyahu is concerned, Arafat can proclaim the establishment of a state, which would be void of content, eventually forcing the Palestinians to give in to Israel's will.... This path unavoidably leads to a bloody confrontation...and a compromise. A Palestinian state will be born anyway, but the tidbits of good will and hope will be lost and many people will lose their lives. This indeed is a disastrous recipe for the cooperation between two peoples which are condemned to live alongside each other."

EGYPT: "Arab Response To Israeli Coercion"

In the view of pro-government Al Gomhouriya (5/27): "Netanyahu insists on his wrong concept of security for peace and rejects the American proposals. There are [Israeli] attempts to change the occupied territories and build settlements. Thus, within Egypt's continued efforts to save the peace process, exchanging views and finding Arab alternatives

to achieve a just peace come at the core of the Egyptian-Moroccan summit.

King Hassan heads the OIC Jerusalem Committee and Jerusalem is tortured by the Israeli occupation. The Arab response to Israeli coercion should confirm Arab power, support Arab rights, and employ international sympathy for the Palestinian people."

JORDAN: "American Financing Of Israeli Settlements"

Daily columnist Nicola Nasser stressed in independent, mass-appeal, Arabic-language Al-Arab Al-Yawm (5/27) regarding private U.S. donations to Israel that are used to finance the settlement expansion program: "The projects financed by these donations contradict official, declared American policy, which considers Israeli settlement activity in the West Bank to be illegitimate. Therefore, it should be reasonable to ask the U.S. administration to declare illegal

all donations that are used to finance illegal projects that contradict American policy. However, the United States will probably do no such thing, and it will not have to worry about an Arab reaction that could embarrass it."

QATAR: "Answer Arafat's Call For Arab Summit"

An editorial in semi-independent, Arabic-language Al-Rayah said (5/27): "Ahmed Al-Quria of the Palestinian Authority said that nothing is sacred except our rights. This is an indication that the Palestinian Authority is prepared to discard agreements signed with Israel, since there is no reason for the Palestinians to continue to follow agreements to which

Israelis are not committed.... The United States is in a dilemma because if it withdraws from the peace process, it will lose its credibility in the region, if it has not already lost it. At the same time, it cannot continue to sponsor the peace process without giving the Palestinian people a minimum of their rights. This has not happened and it seems it never will, given current shy and hesitant American movements. Yesterday from Cairo, President Arafat called for an Arab summit.... We hope the Arab League will quickly respond to achieve that goal. Presidents of Arab countries should realize the danger and answer the call."

SAUDI ARABIA: "Arabs Should Restore Boycott, Prepare For Surprises"

Conservative Al-Riyadh's editorial held (5/26): "Arafat, whose history we respect, is no longer suitable (to lead) a battle which needs leaders with vision, the ability to maneuver, and resolve.... Arafat maintains that he possesses a historical mandate to untie the knot of political machinations between the United States and Israel, although Palestinians are convinced that he does not have the ability to accomplish this because of the age factor.... As for the Arab Nation, it should adopt a historic decision, at least to reject the current situation and not to retreat behind President Clinton, the U.S. secretary of state, and European envoys.... (Instead it) should build an Arab rank...to restore the Arab boycott, to reactivate the role of the Arab League...and to prepare for surprises, including military surprises."

GERMANY: "Risks Of Standstill"

Josef Joffe observed in an editorial in centrist Sueddeutsche Zeitung of Munich (5/27), "Netanyahu's scope of action is great. He could very well leave 13 percent of the territory without touching any of the Israeli settlements. Or he could withdraw from 11 percent and give assurances to Arafat that he would continue the withdrawal process once Arafat accomplished several tasks that would help Netanyahu against his own ultra-conservative alliance partners. But neither of the two can play this game for too long. Arafat must demonstrate to his people that there is some progress, while Netanyahu cannot put Bill Clinton off forever. And both are aware of the fact that a standstill carries risks which neither would be able to keep under control."

BRITAIN: "Arab Summit Would Be Watershed In Peace Process"

The Arafat call for a summit prompted this in the independent Financial Times (5/27): "The meeting would be a watershed in the peace process, since it would show how little normalization has taken place since the first Oslo accord was signed in 1993."

ITALY: "Provocation"

The mounting tension in Jerusalem was the topic of this assessment from Tel Aviv in centrist, influential La Stampa (5/27): "The settlers' provocation, which stirred up an angry Palestinian reaction, took place in a district called Burj Alaqlaq, adjacent to what both Arabs and Jews call the Flowers Door.... In the meantime, yesterday in his speech at the Knesset, American Republican leader Newt Gingrich stated that Jerusalem,

unified under Israeli sovereignty,

should be recognized as the Israeli capital.... Gingrich was also criticized by the U.S. State Department. It rejected the Republican leader's statement, according to which Secretary Albright acted as the Palestinians agent, defining it an 'outrageous and unbelievable' statement."

BRIEFS

U.S.-CHINA: 'BEIJING NEVER INTERFERES IN OTHERS' AFFAIRS'

CHINA: "Maintaining Momentum Of U.S.-China Relationship"

Zhou Dewu remarked in Official Communist Party People's Daily (Renmin Ribao , 5/26): "Former U.S. Ambassador to China Winston Lord said that Clinton's forthcoming China visit is very significant and will contribute substantially.... He said that the United States side is considering doing something concrete to maintain the momentum of the U.S.-China relationship."

"China Does Not Interfere In Others' Affairs"

Official Communist Party People's Daily (Renmin Ribao) carried this Xinhua peice (5/25): "Chinese Ministry of Foreign Affaris spokesman, Zhu Bangzao, repeated that the Chinese government has always opposed any interference in other countries' internal affairs, and China has never and will never

use money to influence American politics. Sino-U.S. cooperation to launch satellites is completely in line with current international commercial practices."

"Rebutting U.S. Missile Technology Allegations"

Official English-language China Daily had this Xinhua item (5/25): "A veteran Chinese expert on carrier rocket technology denied that a U.S. satellite company helped China to improve its missile guidance and control systems during the investigation of the launch failure of China's Long March rocket in February 1996.... Li Jianzhong, president of the China Academy of Launch Vehicle Technology, accused some in the United States of spreading groundless fabrications."

UKRAINE: "Pro-China Tilt In White House?"

Centrist Den featured this comment (5/23) by Oleh Dorozhovets: "True, there are some grounds for the congressmen to suspect the White House's pro-Chinese orientation. During the Clinton administration American-Chinese trade has been liberalized the most. Year after year, the president has pushed through MFN status for China despite congressional opposition. It was this administration that decided that supercomputer and state-of-the-art technology exports to China would not harm national security. Washington has also promised to support China's accession to the WTO."

INDIA'S NUCLEAR TESTS: U.S. REACTION, VIEWS FROM RUSSIA, CHINA

INDIA: "U.S. Dithers With The Ax"

The top story of the day was Defense Minister George Fernandes's disclosure that Indian missiles will now be equipped with nuclear warheads and that India's recently-announced moratorium on testing will not affect the process of nuclear weaponization. Several prominent dailies front-paged Washington-dated stories stating that the World Bank on Tuesday announced that it was postponing discussion on several loans to India. The United News of India wire service report from Washington, front-paged by the Pioneer (5/27) under the headline above, said the "projected showdown between the United States and India" on the grant of the

loans "was averted on Tuesday, with the consideration of the loans being put off indefinitely. This was the first opportunity for the United States to punish India for exploding nuclear devices."

RUSSIA: "Multipolar World Or Global Unpredictability"

Boris Yuranov mused in reformist writers' weekly Literaturnaya Gazeta (#21, 5/27): "The Indian nuclear tests were the climax of a process--the construction of a multipolar world--that started right after the breakup of the USSR. To gain access to modern technologies is only part of the job. To incorporate them into the local infrastructure, without creating a seat of instability and provoking international tension, is far more difficult. Up till now only rich and stable countries have been able to do that painlessly. India, Pakistan, Iran, Cuba and Indonesia are certainly not

among them. The United States has been using all its power and influence to check their nuclear ambitions. But that seems to be late.

'Multipolarity' will live and triumph. The question is whether it benefits global security."

CHINA: "India Remains Aggressive"

Under the headline above, Wang Hui remarked in the official, English-language China Daily (5/23), "History has proved that any country that indulges in seeking regional or global hegemony will only run into a stone wall.... The Indian government should mend its way and stop antagonizing the peace-loving people of the world. If India continues to proceed down the wrong path, it will lose the trust of the world community as well as the support of its own people."

WTO: 'GLOBAL MARKET WAR' SHAPING UP?

ITALY: "Global Market War"

Economic commentator Salvatore Tropea judged in left-leaning, influential La Repubblica (5/27): "When it was born in 1944, GATT was named the 'Club of the Rich.'... Now...eighty percent of (WTO members) are developing countries.... Today the world's powerful cannot think that all others will accept their secondary role forever. The old policy of unilateral sanctions does not work anymore and creates problems even for Clinton who, if he did not have to deal with Congress, would try to get rid of (sanctions) or at least limit them as much as possible. Nor, does the

other 'made in the USA' attempt work, (which is) to deal with trade liberalization along the road of sectoral negotiations which allows the use of lobbying power and blackmail.... In Geneva Castro took on the task of accusing the United States. It was to be expected, it's true. But this did not prevent...(people) from realizing that Castro was not isolated, and that his critical remarks were shared, not only by the world's poor.... Globalization recalls the half-empty, half-full glass. Only new and unequivocal rules can make one part or the other prevail. Not by chance, WTO Director General Ruggiero continues to invoke them...but the temptation of the powerful remains, and the interests of those 200 multinational companies controlling the world's wealth can easily prevail.... This is something to remember before the next conference."

THE NETHERLANDS: 'U.S. Commitment To WTO'

Financial Het Financieele Dagblad featured this analysis (5/26) by Pieter Lalkens, who stressed: "The next (WTO) ministerial will be held in the United States and is expected to be a very important one during which the set-up of the 'new round' will be decided. The United States will have a large say in setting the agenda but--and this is very good for the EU--the United States cannot afford a failure in its own territory. This gives the Europeans an opportunity to successfully demand compromises."

COHEN TO ARGENTINA: 'COMMON AGENDA' WITH U.S.

ARGENTINA: "Increase In Joint Military Action"

Francisco Papini, daily-of record La Nacion's military expert, wrote (5/24): "Since Argentina accepted the MNNA status with the United States, intelligence information between both countries and military exchange has grown significantly. The presence of U.S. Secretary of Defense William Cohen in Buenos Aires clearly showed U.S. concern about the possibility of regional conflicts which may alter peace.... In the strictly military field, William Cohen said that there is important support in the U.S. Congress for providing weapons to Argentina. During yesterday's meeting they discussed joint maneuvers to compatibilize the weapons system of the two countries."

"In Harmony With U.S.: Common Agenda"

Daily-of-record La Nacion's political analyst Mariano Obarrio opined (5/20): "The possible interruption of Argentina's diplomatic ties with Iran...confirm that the government of Argentina has placed its bet on cooperation in defense and antiterrorism issues, as key topics in the bilateral agenda with the United States.... The recent visit of FBI Director Louis Freeh...and his meeting with President Carlos Menem, was neatly complemented with the reduction...of Argentine-Iranian ties.... And the circle will be completed next Saturday with the arrival...of Defense Secretary Cohen and SouthCom Chief General Wilhelm.... The staging of the automatic alignment of the Casa Rosada (Government House) with the White House could not take place at a better moment."

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#Xn\ P6Qy&P#Wednesday, May 27, 1998

X' hp x ASIAN FINANCIAL CRISIS: FOCUS ON IMF, YEN'S FALL,
GLOBAL DAMAGE

X' hp x

In comment on the Asian financial crisis, foreign media analysts focused on
th

e key role of the IMF, problems that could arise from the devaluation of

the Japanese yen, and the threat that the Asian turmoil could yet spill over and cause great damage to economies in the West and the rest of the developing world. Pundits in Indonesia, China, Russia, Spain and Brazil hoped for a "flexible attitude" in the IMF's resuming loans to Indonesia and argued that "the IMF not the G7 should be the one to identify new risks in the international financial system." They also called, however, for a review of the role of the IMF and worried about a more "comprehensive crisis" as a result of the "costs of the economic adjustments the governments of the [Asian] region promised the IMF." Analysts in France and Spain noted the possible further devaluation of the Japanese yen, which they feared could trigger a corresponding fall in the Chinese currency and possible deflation in that country. They argued that an increase in the U.S. commercial deficit with Japan is a price that "will simply have to be paid" if this will "avoid a depression in Japan." London's liberal Guardian was not so sure about the U.S. willingness to pay such a price: "America's bubble economy is acutely vulnerable to a worsening of Asia's troubles.... The new phase of the Asian crisis we are now entering could be a prelude to a trade war initiated by protectionists in the U.S. Congress and a major setback on Wall Street."

MIDDLE EAST: MORE PROVOCATIONS AND A CALL FOR ARAB SUMMIT

The media in the Middle East and some European countries gave top play to the Clinton administration's denunciation of House Speaker Gingrich's reported remarks regarding Secretary Albright, Mr. Gingrich's appearance before the Israeli parliament and the rising tensions in Jerusalem following the building of temporary structures by Jewish settlers in the city's Muslim Quarter. No comment was available from either Arabs or Israeli publications on the first two developments, however. Israeli writers condemned the action in Jerusalem by the settlers.

rs'
association Ateret Cohanim as a "provocation" that might lead "to
ceaseless f
riction between Arabs and Jews, ignite violence and accelerate
the terror loop.
" Arab analysts had mixed reactions to Palestinian
President Arafat's call yes
terday for an Arab summit on Middle East peace
issues. A Qatari observer endor
sed the call, while an Egyptian editorial
urged all Arabs to "employ internatio
nal sympathy for the Palestinian
people." Conservative AlRiyadh, on the other
hand, declared that Mr.
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table (to lead) a
battle which needs leaders with vision, the ability to maneuv
er, and
resolve." The paper instead suggested that Arabs should unite "to rest
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the Arab boycott, to reactivate the role of the Arab League...and to
prepar
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BRIEFS

U.S.China: 'Beijing Never Interferes In Others' Affairs'
X' hp x India's Nuclear Tests: U.S. Reaction, Views From Russia,
Chi
na
WTO: 'Global Market War' Shaping Up?
Cohen To Argentina: 'Common Agenda' With U.S.
X' hp x EDITORS: Mildred Sola Neely, Bill Richey and Kathleen J. Brahney

ASIAN FINANCIAL CRISIS: FOCUS ON IMF, YEN'S FALL, GLOBAL DAMAGE

INDONESIA: "Habibie's Economic Agenda"

The leading, independent, Englishlanguage Jakarta Post asserted (5/27):
"Worl
d Bank loans are badly needed to assist the immediate establishment
of a socia
l safety net, including laborintensive programs to employ the
millions of jobl
ess workers. The longer such initiatives are delayed, the
more serious become
the risks of a new wave of social unrest and rioting
engulfing the country.
Speedy disbursement of aid from the Asian
Development Bank is no less importan
t because it will accelerate
restructuring of the country's banking sector. C
redits from country
donors such as Singapore, the United States, Japan and Aus
tralia will help
reinvigorate Indonesia's foreign trade, which is currently cr

ipped
because of the international communities' refusal to accept letters of
credit from Indonesian banks."

"Create A Conducive Climate"

Businessoriented Bisnis Indonesia held (5/26): "If the IMF, often called
an
extension of the U.S., agrees to provide aid, we will then be able to
take a d
eep breath. An IMF agreement surely will be followed by
agreements by other
international financial institutions and will be an
encouraging factor for pri
vate institutions.... Political reform must
go along with economic reform."

CHINA: "Aid To Indonesia: IMF Raises The Ante"

Gao Shijun commented in the official Chinese Youth Party China Youth Daily
(Zh
ongguo Qingnianbao) (5/27): "Indonesia's neighbors hope the IMF will
adopt a f
lexible attitude in resuming loans to Indonesia because they are
fearful of a
further deterioration of the Indonesian economy and a
potential subsequent wav
e of refugees crossing the borders."

SOUTH KOREA: "Indonesian Economic Reform: Military Holds Key"

An oped article in the probusiness JoongAng Ilbo (5/27) opined: "The
politica
l arena is bound to remain confusing for now, especially since the
new preside
nt, who is struggling to stay alive politically, has neither
time nor energy to
resolve the country's financial crisis.... That the
Habibie administration i
s a transitional one makes it even more likely
that the economy is headed towa
rd a collapse. Financial institutions have
stopped functioning, and corporate
funds are not flowing adequately....
Prospects for an economic recovery remai
n uncertain, even with the change
in political systems. The military is almost
blocking recovery in order to
protect its economic privileges."

BRITAIN: "Bad Times Coming"

The liberal Guardian had this think piece by London University's Professor

Joh

n Gray (5/27): "Asia's economic crisis has not ended. It has moved into another and deeper phase that is bound to have serious repercussions for Western economies..... While turmoil in Asian financial markets may have helped trigger Soeharto's downfall, the long term economic damage it did in Indonesia could well have ensured the emergence, perhaps after a period in which the country becomes near ungovernable, of another authoritarian regime.... Conventional opinion is confident that, if only by default, through the disarray or meltdown of other types of capitalism, the AngloAmerican free market has won out. But global laissezfaire has no long term winners. It is too volatile for that. Instead it works to transform all varieties of capitalism including the American model whose victory is being trumpeted. America's bubble economy is acutely vulnerable to a worsening of Asia's troubles.... The new phase of the Asian crisis we are now entering could be a prelude to a trade war initiated by protectionists in the United States Congress and a major setback on Wall Street. In that event, with the sudden

disappearance of considerable amounts of stock market generated wealth, the triumph of the American model will surely follow the Asian tiger economies down the memory hole of history."

FRANCE: "Planet Concerned By Falling Yen"

Vittorio De Filippis commented in leftofcenter Liberation (5/27): "China is indeed the giant that is at the core of a nightmare called deflation. A term which has remained dormant since the '30s.... Since the beginning of the Asian crisis, China's exports have been falling steadily.... For the moment, China is resisting and Beijing continues to say it will not devalue its currency. Until when? If the yen continues to fall, it could bring back that very undesirable economic phenomenon, triggered by a fall of the Chinese currency. This is why

Japan and industrialized nations have everything to gain in stopping speculation against the yen."

RUSSIA: "IMF's Role Needs To Be Reviewed"

Reformist weekly Itogi (5/26) published this comment by Sergei Strokan: "As the Big Eight talked about the IMF's leading role in resolving the Indonesia crisis, the bank's officials fled Jakarta, anxious for their safety. As a result, the Eight could do no more than urge economic and political reforms in that country. The mountain brought forth a mouse. Reassessing Soeharto's legacy calls for reviewing the role of the IMF and other international institutions."

SPAIN: "Collapse Of Yen"

Barcelona's centrist La Vanguardia noted (5/26): "Certain statements by American Treasury Secretary Robert Rubin, from which one could derive the conclusion that the yen should be allowed to fall in order to avoid the collapse of the Japanese economy, produced a tumultuous session in currency markets yesterday It seems clear that Rubin has opted for the lesser evil: At 140 or even 150 yen to the dollar the rates he mentioned the commercial deficit of the United States visavis Japan would become even more acute than it is. But if this is the price that has to be paid to avoid a depression in Japan, it will simply have to be paid. The truth is that after the last G7 Summit in Birmingham, the pessimism felt regarding the likelihood of Japan's being able to overcome its current economic situation without having to resort to extraordinary measures and not just in the economic sphere was fairly widespread."

"A Crisis Poorly Dampened"

Liberal El Pais opined (5/26): "The Japanese economy, as distinguished from the rest of those in the region, is of great import in the world and justifies the pressure being applied by other great powers on Japanese authorities to dev

ise ever more effective budgetary measures. But if such pressure on Tokyo to open its financial system and adopt economic stimuli is seen as necessary, it should be no less essential for the international community to prepare remedies to combat financial crises with global ramifications like the one being experienced in Asia. The IMF not the G7 should be the one to identify the new risks in the international financial system and to make ready new response mechanisms in the areas of oversight and control that would allow such crises to be anticipated."

BRAZIL: "Asian Crisis Threatens Anew"

Liberal Folha de Sao Paulo (5/27) commented: "The Asian crisis threatens to overflow anew. While Indonesia tried to overcome, even partially, its political crisis, tremors started to affect the trust in other emerging markets. South Korea is again worrying the investors...not only for financial or exchange reasons but due to growing social instability. The costs of the economic adjustments the governments of the region promised the IMF face barriers that go further than pure economic rationality. The financial crisis is an even more difficult political and social issue and...brings back the threat of a more comprehensive crisis capable of casting a shadow of

distrust over all emerging markets. Brazil, obviously is not immune to that. The devaluation of the Japanese currency has a negative impact over the 'tigers' such as Korea. In the end, only by recapturing exports and the return of confidence in the Asian currencies can create the basis of a return to stability."

MIDDLE EAST: MORE PROVOCATIONS AND A CALL FOR ARAB SUMMIT

ISRAEL: "A Provocation In Jerusalem"

Independent Haaretz's editorial judged (5/27): "The association's members are declaring that the erection of the structures is a 'proper Zionist response' to

the murder of their friend, yeshiva student Haim Kerman, three weeks ago.... Without detracting from the gravity of the crime...it is impossible to approve the method they chose to express their protest.... Ateret Cohanim got, at least in part, what it wanted: It increased binational tension and caused the Palestinian leaders' humiliation. This provocation must be eliminated from the onset and proper steps taken to pull down the structures, and principally created facades in the form of eight shacks alleged to serve as living quarters for its members."

"They Have Gone Too Far"

Head of the Arab desk Ronni Shaked wrote in top circulation Yediot (5/27): "In recent years, Jewish enclaves have started appearing in the heart of the Muslim Quarter.... Senior defense officials believe that this construction disturbs the stability and balance that have been maintained for many generations in the Old City. The present settlement could lead to a 'Hebronization' of Jerusalem that would lead to ceaseless friction between Arabs and Jews, ignite violence and accelerate the terror loop."

"Netanyahu Planning Asphyxiated Palestinian State"

Former Government Press Office Director Uri Dromi wrote in mass appeal, pluralist Maariv (5/27): "As far as Netanyahu is concerned, Arafat can proclaim the establishment of a state, which would be void of content, eventually forcing the Palestinians to give in to Israel's will.... This path unavoidably leads to a bloody confrontation...and a compromise. A Palestinian state will be born anyway, but the tidbits of good will and hope will be lost and many people will lose their lives. This indeed is a disastrous recipe for the cooperation between two peoples which are condemned to live alongside each other."

EGYPT: "Arab Response To Israeli Coercion"

In the view of progovernment Al Gomhouriya (5/27): "Netanyahu insists on

his
wrong concept of security for peace and rejects the American
proposals. There
are [Israeli] attempts to change the occupied
territories and build settlemen
ts. Thus, within Egypt's continued efforts
to save the peace process, exchang
ing views and finding Arab alternatives
to achieve a just peace come at the co
re of the EgyptianMoroccan summit.
King Hassan heads the OIC Jerusalem Commit
tee and Jerusalem is tortured by
the Israeli occupation. The Arab response to
Israeli coercion should
confirm Arab power, support Arab rights, and employ i
nternational sympathy
for the Palestinian people."

JORDAN: "American Financing Of Israeli Settlements"

Daily columnist Nicola Nasser stressed in independent, massappeal,
Arabiclangu
age AlArab AlYawm (5/27) regarding private U.S. donations to
Israel that are us
ed to finance the settlement expansion program: "The
projects financed by the
se donations contradict official, declared
American policy, which considers I
sraeli settlement activity in the West
Bank to be illegitimate. Therefore, it
should be reasonable to ask the
U.S. administration to declare illegal

all donations that are used to finance illegal projects that contradict
Americ
an policy. However, the United States will probably do no such
thing, and it w
ill not have to worry about an Arab reaction that could
embarrass it."

QATAR: "Answer Arafat's Call For Arab Summit"

An editorial in semiindependent, Arabiclanguage AlRayah said (5/27):
"Ahmed A
lQuria of the Palestinian Authority said that nothing is sacred
except our rig
hts. This is an indication that the Palestinian Authority is
prepared to disca
rd agreements signed with Israel, since there is no
reason for the Palestinian
s to continue to follow agreements to which
Israelis are not committed.... The
United States is in a dilemma because if
it withdraws from the peace process,

it will lose its credibility in the region, if it has not already lost it. At the same time, it cannot continue to sponsor the peace process without giving the Palestinian people a minimum of their rights. This has not happened and it seems it never will, given current shy and hesitant American movements. Yesterday from Cairo, President Arafat called for an Arab summit.... We hope the Arab League will quickly respond to achieve that goal. Presidents of Arab countries should realize the danger and answer the call."

SAUDI ARABIA: "Arabs Should Restore Boycott, Prepare For Surprises"

Conservative AlRiyadh's editorial held (5/26): "Arafat, whose history we respect, is no longer suitable (to lead) a battle which needs leaders with vision, the ability to maneuver, and resolve.... Arafat maintains that he possesses a historical mandate to untie the knot of political machinations between the United States and Israel, although Palestinians are convinced that he does not have the ability to accomplish this because of the age factor.... As for the Arab Nation, it should adopt a historic decision, at least to reject the current situation and not to retreat behind President Clinton, the U.S. secretary of state, and European envoys.... (Instead it should build an Arab rank...to restore the Arab boycott, to reactivate the role of the Arab League...and to prepare for surprises, including military surprises."

GERMANY: "Risks Of Standstill"

Josef Joffe observed in an editorial in centrist Sueddeutsche Zeitung of Munich (5/27), "Netanyahu's scope of action is great. He could very well leave 13 percent of the territory without touching any of the Israeli settlements. Or he could withdraw from 11 percent and give assurances to Arafat that he would to continue the withdrawal process once Arafat accomplished several tasks that would help Netanyahu against his own ultraconservative alliance partners. But

ut neither of the two can play
this game for too long. Arafat must demonstrat
e to his people that there
is some progress, while Netanyahu cannot put Bill C
linton off forever.
And both are aware of the fact that a standstill carries
risks which
neither would be able to keep under control."

BRITAIN: "Arab Summit Would Be Watershed In Peace Process"

The Arafat call for a summit prompted this in the independent Financial
Times
(5/27): "The meeting would be a watershed in the peace process, since
it would
show how little normalization has taken place since the first Oslo
accord was s
igned in 1993."

ITALY: "Provocation"

The mounting tension in Jerusalem was the topic of this assessment from Tel
Av
iv in centrist, influential La Stampa (5/27): "The settlers'
provocation, whic
h stirred up an angry Palestinian reaction, took place in
a district called Bu
rj Alaqraq, adjacent to what both Arabs and Jews call
the Flowers Door.... In
the meantime, yesterday in his speech at the
Knesset, American Republican lea
der Newt Gingrich stated that Jerusalem,
unified under Israeli sovereignty,

should be recognized as the Israeli capital.... Gingrich was also
criticized
by the U.S. State Department. It rejected the Republican
leader's statement,
according to which Secretary Albright acted as the
Palestinians agent, definin
g it an 'outrageous and unbelievable'
statement."

BRIEFS

U.S.CHINA: 'BEIJING NEVER INTERFERES IN OTHERS' AFFAIRS'

CHINA: "Maintaining Momentum Of U.S.China Relationship"

Zhou Dewu remarked in Official Communist Party People's Daily (Renmin
Ribao, 5
/26): "Former U.S. Ambassador to China Winston Lord said that
Clinton's fort
hcoming China visit is very significant and will contribute

substantially....

He said that the United States side is considering doing something concrete to maintain the momentum of the U.S.China relationship."

"China Does Not Interfere In Others' Affairs"

Official Communist Party People's Daily (Renmin Ribao) carried this Xinhua pei ce (5/25): "Chinese Ministry of Foreign Affairs spokesman, Zhu Bangzao, repeated that the Chinese government has always opposed any interference in other countries' internal affairs, and China has never and will never use money to influence American politics. SinoU.S. cooperation to launch satellites is completely in line with current international commercial practices."

"Rebutting U.S. Missile Technology Allegations"

Official Englishlanguage China Daily had this Xinhua item (5/25): "A veteran Chinese expert on carrier rocket technology denied that a U.S. satellite company helped China to improve its missile guidance and control systems during the investigation of the launch failure of China's Long March rocket in February 1996.... Li Jianzhong, president of the China Academy of Launch Vehicle Technology, accused some in the United States of spreading groundless fabrications."

UKRAINE: "ProChina Tilt In White House?"

Centrist Den featured this comment (5/23) by Oleh Dorozhovets: "True, there are some grounds for the congressmen to suspect the White House's proChinese orientation. During the Clinton administration AmericanChinese trade has been liberalized the most. Year after year, the president has pushed through MFN status for China despite congressional opposition. It was this administration that decided that supercomputer and stateoftheart technology exports to China would not harm national security. Washington has also promised to support China's accession to the WTO."

INDIA'S NUCLEAR TESTS: U.S. REACTION, VIEWS FROM RUSSIA, CHINA

INDIA: "U.S. Dithers With The Ax"

The top story of the day was Defense Minister George Fernandes's disclosure that Indian missiles will now be equipped with nuclear warheads and that India's recently announced moratorium on testing will not affect the process of nuclear weaponization. Several prominent dailies frontpaged Washington datelined stories stating that the World Bank on Tuesday announced that it was postponing discussion on several loans to India. The United News of India wire service report from Washington, frontpaged by the Pioneer (5/27) under the headline above, said the "projected showdown between the United States and India" on the grant of the

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WTO: 'GLOBAL MARKET WAR' SHAPING UP?

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X hp x

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Director Louis Freeh...and his meeting with Pre
sident Carlos Menem, was
neatly complemented with the reduction...of ArgentineI
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the circle will be completed next Saturday with the arriva
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Secretary Cohen and SouthCom Chief General Wilhelm.... The sta
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automatic alignment of the Casa Rosada (Government House) with the
White
House could not take place at a better moment."

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

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U.S. Front Page Stories

*** Update: Ore. high school reopens after shooting rampage

Students returned Tuesday to classes at Thurston High School where fresh paint covered all traces of bloodshed but could not obscure the emotional trauma of last week's deadly shooting rampage. Students said their school was changed forever by the campus tragedy last Thursday that left two dead and 22 wounded and put Springfield on the map as another small American community rocked by a shocking new brand of school violence. Many parents escorted their children.

Students said most classes were no more than half-full, though school officials said attendance was near normal. Superintendent Jamon Kent said counselors were available in every class and in "safe rooms" set aside for students overwhelmed by emotion. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554341364-ac0>

*** Teen misbehavior can point to mental troubles - study, See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554341120-457>

*** Starr steps up pressure on Lewinsky in sex probe

Independent counsel Kenneth Starr has ordered Monica Lewinsky to be fingerprinted and give voice and handwriting samples, increasing pressure on her to cooperate in his investigation of the White House sex scandal, sources close to the probe said Tuesday. Starr, who is investigating allegations President Clinton and the former White House intern had sex and conspired to cover it up, used his authority to order the samples under a court order issued January, the sources said. Legal experts said his action could lay the groundwork for Lewinsky to be called before the grand jury investigating the sex scandal or set the stage for her indictment, presumably on perjury or obstruction of justice charges. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554340996-fed>

*** Linda Tripp faced death threats, lawyer says, See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554345989-aef>

*** Italy wants to try U.S. airmen for cablecar deaths

Italian prosecutors asked Tuesday that seven U.S. servicemen be sent to Italy for trial over the deaths of 20 people killed when a U.S. fighter jet sliced the wires of a cablecar, sending it crashing to the ground. Prosecutors in the town of Trento deposited a 120-page document requesting the trial with examining Judge Carlo Ancona. It calls for the four-man Marine Corps crew of the EA-6B Prowler to be tried along with their squadron leader and two other U.S. officials

from the Aviano airbase where the crew were temporarily based.

Italian prosecutors have dropped probes into another officer and the

Italian head of the Aviano air base. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554338257-13a>

*** U.S. airlines agree to check more jets for problems

U.S. airlines agreed Tuesday to make preliminary checks of McDonnell

Douglas and Lockheed planes for fuel tank electrical problems,

following faults found in Boeing 747s and 737s, the Air Transport

Association said. These new inspections would include DC-9, MD-80 and

DC-10 planes made by McDonnell Douglas which is now part of Boeing.

They would also include Lockheed L-1011 jets, now part of Lockheed

Martin. The bottom line is we will do the checks, said spokesman

David Fuscus after a conference call between ATA, representing the

major airlines, and technical staff from Boeing and the Federal

Aviation Administration. The inspections will cause minimal

disruptions to the airlines as they will be done as aircraft come in

for scheduled heavy maintenance work. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554342719-6f8>

Crime and Catastrophe

*** Police confiscate 20 guns from home of N.J. teen

Authorities confiscated 20 pistols, rifles and shotguns from the home of a 15-year-old New Jersey boy who threatened his 9th grade teacher a day after last week's shootings in Springfield, Ore., police said Tuesday. The teenager was arrested after he allegedly threatened a teacher at Pinelands Regional High School last Friday, showing her the drawing of a human figure caught in the crosshairs of a rifle scope. Police searched the family's home in Little Egg Harbor, N.J. Saturday. The firearms they confiscated were all legally owned by the boy's father. The unidentified suspect appeared in Ocean County family court Tuesday for arraignment on juvenile charges of making terrorist threats. He was released into the custody of his parents. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554340022-fbc>

*** Evidence collection ends in Ill. church blast

Federal agents have concluded their on-site investigation of Sunday's church bombing in Danville, a spokesman said Tuesday, and will ship evidence to a laboratory for analysis. Jerry Singer, spokesman for the Federal Bureau of Alcohol, Tobacco and Firearms, said no new information was available on the incident, in which 34 people were injured. Singer also said another Illinois church bombing nearly five months ago at the Oakwood United Methodist Church, in which one man was killed, remains a "very active case ... a priority." But he declined to confirm a report in the Chicago Tribune Tuesday quoting law enforcement sources as saying a suspect in the earlier bombing had been identified. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554340381-481>

*** Indiana E.coli outbreak traced to cole slaw

Indiana health officials have traced an outbreak of food poisoning early this month to cole slaw served at a Kentucky Fried Chicken restaurant near Greenwood, Ind., an Indiana health official said. Nearly 60 people became sick, none serious, and it has been confirmed seven of the cases were sickened by the dangerous bacteria E.coli O157:H7 obtained by eating the cole slaw, Indiana's epidemiologist said. Tests were still under way to determine if the other individuals were sickened by the cole slaw, he said. Investigators confirmed finding E.coli O157:H7 on cole slaw that one of the individuals had refrigerated. Steele said the cole slaw had to have been contaminated by another source and investigators continue to search for the source. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554341218-3a8>

*** Firefighters battle Fla. forest blazes

Helicopters dumped tons of water Tuesday on brush fires flaring in northern Florida's Apalachicola National Forest as officials kept a wary eye on tinder-dry swathes of woodland across the state. By Tuesday afternoon the fires had burned 1,100 acres in the 600,000 acre national forest. The fires broke out Monday in a remote region of the national forest located about 20 miles southwest of Tallahassee. Helicopters were used to scoop up water and dump it on the fires because of the danger and the remoteness of the site. The

fires in Apalachicola were the latest and largest of more than 100 ignited across the state over the three-day Memorial Day Weekend. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554340724-376>

*** N.J. woman rescues mother from fire

A 94-year-old woman was safe Tuesday after her rescue from a potentially fatal fire Monday by her 70-year-old daughter, who carried her from their burning home, firefighters said. Rachel Brantley was in a hospital bed with her arms tied to prevent her from pulling out feeding tubes. When the fire began, her daughter, Patricia Woodson, cut the nylon bracelets and carried her out, fire officials said. "She saved her mother's life," Cranford Fire Department Capt. Wesley Ditzel said Tuesday. Ditzel said the fire was caused by an electrical problem. (REUTERS)

*** D.C. police headquarters hit by fire, radio problems

Police in the nation's capital had a rough day Tuesday. First a basement electrical fire forced evacuation of the District of Columbia's police headquarters - including prisoners being held there. Then the generator powering the police department's radio communications went down late in the day, interrupting dispatches from headquarters to officers in the field. The local utility company was repairing the communications system, a spokeswoman said. She said it was unclear if the communications problems were caused by the fire. No damage estimate was immediately available. (REUTERS)

The U.S. Political Scene

*** U.S. blasts Gingrich Mideast comment

The Clinton administration hit back Tuesday at House Speaker Newt Gingrich, branding as outrageous and offensive his comment that Secretary of State Madeleine Albright was a Palestinian agent. The State Department also described as "stunning" - if true - reports that Gingrich was attempting during his current controversial visit to Israel to incite the Israeli government to resist U.S. Middle East peace proposals. "I found particularly appalling and outrageous his suggestion that the secretary of state of the United States was an agent for the Palestinians," said department spokesman James Rubin. Albright was "extremely troubled" by the remark, which came after she had briefed members of Congress on her efforts to move the peace process forward, Rubin said. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554341012-030>

*** Update: Clinton won't delay China trip, defends closer ties

President Clinton said Tuesday it would be a mistake for him to delay his visit to China next month, saying there was enough evidence to justify pursuing a policy of closer ties with Beijing. Republicans and some Democrats have urged him to cancel or postpone the visit

because of claims Chinese officials illegally tried to channel money into Democratic Party coffers during the 1996 elections. China denies the charges. "I think it would be a mistake to postpone the trip," Clinton said. He said "our partnership with China has succeeded" in persuading them to refrain from shipping missile technology to certain nations, defusing tensions with North Korea and in joining U.S. efforts to deter a nuclear arms race in South Asia. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554341057-9dc>

*** Herman tried to block independent counsel probe

Labor Secretary Alexis Herman tried to block the appointment of an independent counsel to investigate influence-peddling and campaign finance allegations against her, court documents showed Tuesday. Herman's lawyers argued Attorney General Janet Reno did not have enough evidence of wrongdoing to call for this kind of special probe, but the U.S. District Court of Appeals in Washington rejected that claim and appointed an independent counsel Tuesday. In papers filed May 18 - one week after Reno recommended an independent counsel for Herman's case - the Labor Secretary's attorneys maintained Reno had failed to show "that there was a fair probability or substantial chance that the subject engaged in some criminal activity." See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554339285-5b3>

*** Experts praise Clinton's bioterror defense plan

President Clinton's plan to stockpile vaccines and drugs in case of a

bioterrorism attack will be difficult to carry out, but makes a good start, experts on biological terrorism said Tuesday. They said it will also help strengthen public health services in general. "I think this is going to be a very difficult task ahead of us but one that I think is doable," said Michael Osterholm, who is Minnesota's epidemiologist and who served as adviser to the federal government on biological terrorism. Clinton ordered the stockpiling of vaccines and antibiotics in case of a biological attack Friday. A team of specialists said the five germs most likely to be used in a biological terror attack are anthrax, smallpox, plague, tularemia and the bacteria that causes botulism. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554340851-77e>

*** Senators urge U.S. to keep Libya sanctions

A group of 18 influential senators is urging the State Department not to waive sanctions against foreign companies that invest in Libya's oil or natural gas industry. The senators are worried the department's move last week not to impose sanctions against three companies developing a huge natural gas field in Iran might be extended to similar business deals in Libya. "We are deeply concerned that the administration's decision to waive sanctions with regard to Iran sends a signal that the U.S. will not impose sanctions on companies that invest in Libya's energy sector," the lawmakers said in a letter Tuesday to Secretary of State Madeleine Albright. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554339757-3f5>

*** Calif. lawmakers ask Clinton help in marijuana fight

A group of California state legislators asked President Clinton Tuesday to help resolve the impasse blocking the state from implementing its 1996 law permitting medical marijuana use. At a summit to discuss the medical marijuana problem, state Sen. John Vasconcellos released a letter to Clinton signed by 24 other lawmakers which said California's clash with the Justice Department could be repeated around the country as other states consider legalizing medical use of the drug. The letter marked the latest plea to Clinton from local California officials, who have watched state and federal courts rule against the clubs which provide marijuana to sick people suffering from AIDS, cancer and other illnesses. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554342986-084>

The Courts

*** Man sentenced to death for Calif. Mothers Day murders

A man who treated his mother and ex-girlfriend to a Mothers Day lunch before slashing their throats was sentenced to death Tuesday. Prosecutors had said Paul Carasi, 32, killed his 62-year-old mother, Doris Carasi, and Sonia Salinas, 29, the mother of his son, Michael, to gain sole custody of the boy three years ago with the help of a friend. The friend, Donna Lee, 46, who a jury found helped Carasi

kill the women, was sentenced to life in prison without parole. The two were convicted of first degree murder by a jury, which recommended the death sentence for Carasi but deadlocked on Lee's punishment. Both pleaded not guilty. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554340725-4c3>

*** Top Texas officials feud over tobacco settlement

Texas Attorney General Dan Morales asked a federal judge Tuesday to fine Gov. George W. Bush as the two men traded barbs over the state's \$15.3 billion settlement with the tobacco industry. Morales filed a motion with Judge David Folsom seeking fines of \$25 million against Bush and seven state legislators who are contesting fees of \$2.3 billion for private lawyers who represented Texas in its tobacco lawsuit. He accused Bush, who is seeking a second term in a November election, of "political posturing" by pressing for a substantial reduction in the fees. The governor hit back, accusing Morales of filing the motion in a bid to avert public criticism of his work. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554341957-144>

*** 13 plead innocent in Mexico money-laundering scheme

13 people, most of them Mexican bankers, pleaded not guilty in Federal Court Tuesday to charges of allegedly laundering profits from drug cartels in Cali, Colombia, and Juarez, Mexico. The group included Oscar Armando Saavedra, a Mexican money-broker accused of being a ringleader in the scheme that allegedly laundered \$35 million

for the Cali cartel, a spokesman for the U.S. attorney's office in Los Angeles said. All have been denied bail. The defendants are among 100 indicted last week in a massive sting operation organized by the U.S. Customs Service who say they penetrated a ring in which profits from drugs sold in the U.S. were laundered through Mexican and Venezuelan financial institutions. Some of the defendants were arraigned last week. About half are still at large. (REUTERS)

World Front Page Stories

*** Update: Police raids target World Cup terror threat

Police swooped on suspected Moslem guerrillas in five Western European countries Tuesday to head off possible terrorist attacks during the soccer World Cup which opens in France in two weeks. French Interior Minister Jean-Pierre Chevenement said the coordinated raids in France, Belgium, Germany, Italy and Switzerland, in which 64 people were detained, followed tips that raised fears of attacks during the June 10-July 12 tournament taking place in 10 French cities. Police in Paris, which suffered a bloody wave of bombings by Algerian Moslem rebels three years ago, said the swoops also were intended to root out arms and explosives that might be used during the tourney. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554338775-278>

*** Japan's emperor expresses sorrow over war

Japan's Emperor Akihito, on the first day of a sensitive visit to Britain, has tried to assuage the anger of former prisoners of war by expressing sorrow for their suffering. Just hours after he was booed and whistled at derisively by hundreds of veterans as he rode in a carriage with Queen Elizabeth, Akihito said he was truly saddened that bilateral relations had been marred by the war. "The empress and I can never forget the many kinds of suffering so many people have undergone because of that war. At the thought of the scars of war they bear our hearts are filled with deep sorrow and pain," he told a state banquet. "All through our visit here, this thought will never leave our minds," the emperor said. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554341701-e27>

*** Pakistan gears for nuclear test-U.S. intelligence

Pakistan has been making final preparations for an underground nuclear test following the five tests by India two weeks ago, U.S. intelligence officials said Tuesday. But the Pakistani government has assured the United States it has not yet opted to go ahead despite the preparations, other U.S. officials said. "At this point, they could conduct a nuclear test at any time," said one official who declined to spell out what new steps had been taken or when. U.S. intelligence has stepped up its overhead surveillance of potential Pakistani test sites since coming under sharp criticism for having been caught off guard by the Indian tests, members of Congressional

oversight committees have said. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554340671-587>

*** N. Irish arms handover gives guerrillas immunity-BBC

Guerrillas in Northern Ireland who hand in their weapons under the terms of a new peace deal will be offered immunity from prosecution, BBC television said Tuesday. No forensic tests which could lead to criminal charges would be carried out on weapons handed in by the rival guerrilla groups, it added. The BBC said it had obtained details of the weapons decommissioning process, one of the most sensitive aspects of the deal approved by voters on both sides of the Irish border last Friday in a referendum. It is still not clear whether the Irish Republican Army, which fought for decades against British rule of Northern Ireland, and other guerrilla groups will actually hand in their weapons stockpiles by May 2000, as stipulated in the agreement. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554339784-181>

The World Political Scene

*** India can forget Security Council dream - Canada

Canada said Tuesday India could say goodbye to its chances of getting a permanent seat on the United Nations Security Council because of

its recent nuclear tests. "I believe that India's quest for a permanent seat on the UN Security Council has suffered irreparable damage. It has forfeited any claim to a permanent seat on a body created specifically to create peace and security and enhance the international order," said Canadian Foreign Minister Lloyd Axworthy. "We have to demonstrate very forcibly that if it is the popular view in India that acquiring a nuclear weapon or the capacity for nuclear weapons is a way to elevate your status, the international community has to say no," Axworthy said. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554339722-3d0>

*** U.S. mulling grain export subsidies in EU barley row

Top Clinton administration aides met Tuesday to discuss whether to restart U.S. grain export subsidies in response to a heavily discounted European Union barley sale to a California firm that has triggered an angry outcry from farmers across the Northern Plains. "We are considering a range of options to respond to the EU's outrageous behavior," including the reactivation of export subsidies for barley, an administration official said following an interagency trade policy meeting to discuss the situation. "We will likely have a decision shortly." Representatives from the U.S. State Department, Agriculture Department, Trade Representative's Office and other executive agencies met to discuss what actions the administration could take to protest the subsidized shipment, which is expected to arrive in Stockton this week. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554341779-481>

The Americas

*** Bahamas sends another 72 boat people back to Cuba

The Bahamas sent 72 Cubans back to their homeland Tuesday, bringing to 198 the number of Cubans deported back to the communist-ruled island in nine days. Bahamas immigration authorities said there were 59 Cubans left at Nassau's Carmichael Road Detention Center, but added more had been arriving in recent months than in previous years. Deputy director of immigration Vernon Burrows said two more groups of Cubans, one of nine people and another of six, had been found in Bahamian territory. Many Cubans leaving their country in precarious boats end up in the the 700-island Bahamas archipelago due to currents. The Bahamas government is trying to stop the country from being a way station for Cubans hoping to reach Florida. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554340491-6ef>

*** 7 Venezuelan prisoners killed in fight

Seven prisoners were shot or stabbed to death and 11 injured in a fight over money in a crowded Venezuelan jail, prison authorities said Tuesday. "It was very violent....two of the bodies were half burned," said prisons director Evelice Alvarez. The fight broke out late on Monday night in the San Juan de los Morros high security

prison 90 miles south of Caracas when one group of inmates tried to steal money from those in another cell. The fight was over the small amounts of cash prisoners earn for doing jobs around the prison, Alvarez said. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554338190-47f>

*** Greenpeace files Argentine lawsuit over jaguars

Greenpeace filed a lawsuit against an Argentine government agency Tuesday in a battle to save 2.5 million acres of Argentine rainforest and the endangered jaguars who live there. The environmental group filed a suit against ENARGAS, the gas industry regulator, over plans for a new pipeline across the Andes which Greenpeace says could kill off the dwindling jaguar community in the Yungas rainforest. Federal Judge Susana Cordoba will meet Wednesday with Greenpeace, national ombudsman Jorge Maiorano, ENARGAS and officials from the NorAndino consortium hoping to build the pipeline, to decide whether to uphold an injunction. If she rules in favor of Greenpeace, the approval ENARGAS gave NorAndino to build the pipeline would be annulled. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554341705-f00>

*** Nicaraguan ex-president Ortega named in sex abuse case

The stepdaughter of Sandinista leader and former Nicaraguan President Daniel Ortega said Tuesday she would file criminal sex abuse charges against him Wednesday. "I have the truth on my side," a tearful Zoilamerica Narvaez, 30, told journalists while visiting the

Nicaraguan Center for Human Rights to seek formal backing. "The truth is what gives me the strength to undertake this process." Narvaez presented Nicaraguan human rights organizations with more than 40 pages of testimony detailing years of sexual and psychological abuse that she claimed Ortega committed. That and other documents were to be offered as evidence in criminal proceedings Wednesday, she said. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554342105-653>

*** Menem says does not want 3rd presidential term

Argentinian President Carlos Menem said Tuesday he was not interested in running for a third term despite a renewed drive by his party to change the constitution and allow him to do so. "It is not my wish to be a candidate for the third term. This is something people started saying when I presented my second candidature," Menem told a news conference during a state visit to Sweden. Menem, 67, won office in 1989 and was reelected in 1995 after pushing through constitutional reforms to let him run for a second term. Menem acknowledged the constitution would not allow him to run again. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554336886-9fa>

*** Ecuador election campaign heats up after drug charge

Ecuador's presidential election campaign heated up Tuesday after one candidate, banana mogul Alvaro Noboa, attacked his rival, Quito city mayor Jamil Mahuad, by accusing his brother of being a drug trafficker. Opinion polls give Mahuad a lead over Noboa in the race

for Sunday's elections, when 7.1 million inhabitants of this poor Andean nation choose their president, vice-president, 121 members of Congress and regional authorities. A quiet campaign ignited Monday when Noboa said his rival's brother and campaign treasurer, Eduardo, had property dealings in 1993 with a drug smuggler now in prison. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554340556-a8e>

Europe and Russia

*** French truckers end block, other strikes loom

Militant French truckers lifted road blocks after a brief protest over pay Tuesday and promised not to defy police and upset soccer fans by disrupting the soccer World Cup just two weeks away. But as the threat of road chaos during the June 10-July 12 tournament faded, Air France pilots gave notice of a two-week strike due to start June 1 in protest against the company's plans to cut its wage bill.

Separately, one railway workers' union called on its members to stop work from June 7. Although wage talks between unions and truckers' bosses broke down, the truckers' leader Roger Poletti said roadblocks would not resume until after the summer holiday. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554340520-933>

*** UK's Blair to visit Dublin, N. Ireland next week

British Prime Minister will visit Dublin and Northern Ireland next week in the wake of referendums which approved a ground-breaking peace deal, officials said Tuesday. A spokesman said the prime minister would visit both Madrid and Dublin Monday to help prepare for next month's summit meeting of European Union leaders in the Welsh city of Cardiff. Blair flew to Northern Ireland several times in the run-up to last Friday's referendums, when voters on both sides of the Irish border approved a deal to end 30 years of Catholic-Protestant strife. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554339026-707>

*** EU warns of WTO move if U.S. imposes sanctions

The EU reserves the right to complain to the World Trade Organization if the United States punishes a European firm for investing in Libya, European Trade Commissioner Sir Leon Brittan said Tuesday. Brittan said the EU retained that option despite a deal with Washington last week aimed at ending a bitter dispute over U.S. sanctions laws discouraging investment in Cuba, Iran and Libya. Under the agreement, reached by President Clinton and EU leaders at a London summit, the U.S. agreed to grant some waivers to both the Helms-Burton law on Cuba and the Iran Libya Sanctions Act in return for European concessions. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554338626-1d6>

*** Serbian students threaten unrest over university law

Serbia's parliament adopted a new higher education law Tuesday despite protests by students and professors who said it would tighten political control of universities. Student leaders vowed more demonstrations to protest the law, under which the government rather than the universities will appoint faculty members, in an attempt to curb dissidence. The measures also raise tuition fees and link the continued payment of student subsidies to academic performance. A demonstration by 2,000 students outside parliament Tuesday was quickly dispersed by riot police and plain clothes police who infiltrated the crowd. Police said they intervened after they were stoned and at least three students were reported by their leaders to have been arrested. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554339124-674>

*** Londoners protest idea of Princess Diana memorial

Angry Londoners strongly opposed the idea Tuesday of building a large memorial to Princess Diana in the center of the city, saying they feared being swamped by a flood of tourists. Residents in the exclusive borough of Kensington, where Diana lived before her death in a Paris car crash last year, called on the government to review plans to build a formal garden and a fountain in her honor. At a raucous meeting of the local council, those who did not reject outright to the idea of a memorial in Kensington Gardens - the site of Diana's home - said the project had to be scaled down or moved elsewhere. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554339948-eb6>

*** Sale of Viagra pills lures visitors to Andorra

Authorities in Andorra have urged tighter controls by doctors prescribing Viagra to tourists who have flocked to the principality in search of the impotence pill, officials said Tuesday. Andorra, one of the few places in Europe where Viagra is readily available, has recently seen a steady stream of visitors who head straight for local pharmacies on arrival, hoping to buy the drug over the counter. They soon learn a prescription is required before they can place their orders, and many end up at Andorran doctors' offices and clinics. Andorra's College of Physicians issued a written warning this week calling on doctors to conduct full medical checkups for anyone asking for Viagra and to make sure patients return for follow-up visits. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554339479-9ff>

*** Spanish social security to pay for Viagra pills, See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554337859-9d0>

Africa

*** Socialists lead in Senegal elections

Partial results of Senegal's parliamentary election have put the ruling Socialists well ahead while main opposition parties have held informal talks on challenging the results on ground of fraud, sources

close to the meeting said. Partial, unofficial results announced at district level Tuesday indicated President Abdou Diouf's Socialist Party were winners in 27 electoral districts out of 30, translating to 58 seats in a new 140-seat parliament. 70 seats were contested at district level while the remaining 70 were being decided at national level. Votes are still being counted for the rest of the 70 seats disputed nationwide. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554343625-993>

India and the Middle East

*** Israel Radio says Netanyahu met Palestinian speaker

Israel Radio reported Wednesday Prime Minister Benjamin Netanyahu had held talks with Palestinian Legislative Council Speaker Ahmed Korei on the handover of more West Bank land to the Palestinians. The radio said Korei denied the meeting had taken place but said it was standing by its report. The report, attributed to Palestinian sources, said Netanyahu met Korei, also known as Abu Alaa, before the Israeli premier left for China Monday where he is now on an official visit. The scope of a promised Israeli pullback in the West Bank is the main issue holding up the resumption of Israeli-Palestinian peace talks, deadlocked since March 1997. The U.S., acting as mediator, has suggested a 13% handover. Israeli cabinet ministers say it is too high. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554345751-034>

*** Iran street clashes spotlight factional struggle

Street clashes and public disputes in Iran point to a sharpening conflict between moderates backing reform-minded President Mohammad Khatami and conservatives fearing the abandonment of Islamic principles. Iranian political analysts said Tuesday a recent move to allow political parties was unlikely to dampen the struggle between the two factions, at least in the immediate future. Monday, several people were injured when hardliners attacked a rally by moderate students near Tehran university. Residents said it was among the most violent political clashes in recent years, with hardliners using sticks, stones and brass knuckles to disrupt the event. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554337710-50b>

*** Saudi, Iran agree on economic accord

Saudi Arabia, extending "a hand of friendship" to Iran, agreed with Tehran on an economic accord Tuesday in the latest sign that ties between the two Gulf powers were warming after years of mutual suspicion. State-run Tehran radio quoted visiting Saudi Arabian Foreign Minister Prince Saud al-Faisal as saying after a meeting with his Iranian counterpart the two agreed to sign an economic cooperation agreement. The official Saudi Press Agency quoted Prince Saud as saying his talks with Foreign Minister Kamal Kharrazi centered on "exchanging views on how to implement the economic accord

which will be signed tonight (Tuesday) and tomorrow." See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554339480-9c3>

The Far East

*** 12 children missing on Mongolian aircraft

12 children were among 28 people on board a Mongolian Airlines plane that went missing Tuesday, a search official said Wednesday. Initial reports said the Chinese-built Yun-12 aircraft was carrying 16 people. Bukhbat, a spokesman for a government commission co-ordinating search efforts, said the plane was carrying 14 adult passengers, 12 children plus a pilot and co-pilot when it took off in windy conditions from the city of Erdenet. The twin-engine propeller aircraft is designed to carry a total of 19 passengers and crew. Of the children, seven were aged between 1 and 5, and five were aged between 6 and 16, Bukhbat said. Children aged under 5 can fly without tickets in Mongolia. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554345547-6b2>

*** China cracks down before Tiananmen anniversary

China has stepped up a crackdown on dissidents ahead of the ninth anniversary of the Tiananmen Square massacre, a Hong Kong-based human rights group said Wednesday. The Information Center of Human Rights &

Democratic Movement in China said two dissidents in the eastern city of Qingdao were seized from their homes by police Saturday. The two were still in detention, which the center said was related to the anniversary of the bloody crackdown on the student-led pro-democracy movement in Beijing in 1989. Hundreds of demonstrators are known to have died in the June 4 massacre, although some dissidents have put the death toll at thousands. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554344538-1fc>

*** Myanmar opposition members gather at Suu Kyi home

Some 200 opposition National League for Democracy members began gathering Wednesday at the home of their leader Aung San Suu Kyi's in Yangon to mark the eighth anniversary of the NLD's unrecognized 1990 election victory. Witnesses said delegates were steadily pouring into Suu Kyi's lakeside University Avenue residence compound in small groups of two or three as the military posted checkpoints along the street to monitor the gathering. There were no complications as the military allowed delegates to enter the compound. This is the first time the ruling military, which seized power in a bloody coup in 1988, has allowed the opposition to mark its landslide May 1990 election victory. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554344595-3bc>

*** S. Korea unions begin strike, market takes a dive

Hardline South Korean unions began a two-day strike Wednesday to

protest soaring unemployment and the prospect of mass layoffs as the stock market took another dive. Lee Kap-yong, head of the Korean Confederation of Trade Unions which is spearheading the strikes, said 125 unions across the nation and 120,000 members are joining the strike. The KCTU has a total membership of more than 550,000. Lee said however the KCTU would continue talks with the government even during the strikes. On Tuesday, prosecutors urged employers to lock out workers if the action went on too long. In an unusual public statement, the Supreme Public Prosecutor's Office said the strikes were clearly illegal. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554346065-5d2>

*** Cambodian prince may seek vote preparation delay

Cambodia's deposed co-premier Prince Norodom Ranariddh said Tuesday he was waiting to see if enough voters register for the July election before deciding whether to seek an extension of the process.

Ranariddh, making a rare public appearance since returning to Cambodia at the beginning of the month to begin preparations for the election, said conditions for the poll were not yet fair but he was mobilizing his supporters to register to vote. Voter registration began May 18 and is due to end June 15. The election is set for July 26. Opposition politicians including senior officials from the prince's FUNCINPEC party have slammed the registration process as unfair and biased in favor of Second Prime Minister Hun Sen's Cambodian People's Party. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554345675-b8c>

*** Japan poll shows Hashimoto rating up

A newspaper poll published Wednesday showed the approval rating for Prime Minister Ryutaro Hashimoto was up three percentage points on a survey taken last month but was still stuck below 30%. The Mainichi Shimbun said the 27% rating was the first improvement in a survey taken by the paper on the Japanese leader since September last year and was probably helped by Hashimoto's foreign-policy endeavors. The nationwide survey taken Tuesday registered a 41% disapproval rating for Hashimoto, down from 50% in the previous poll. But respondents who said they were indifferent rose in number to 29%, from the previous 23%. The majority of those surveyed said they disapproved of Hashimoto's handling of the economy, while many said he put in a good showing in recent diplomatic efforts. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554343819-165>

Science and Medicine

*** First Lyme disease vaccine gets expert nod

A Food and Drug Administration advisory panel recommended Tuesday approval of the first vaccine against tick-borne Lyme disease. SmithKline Beecham Plc's vaccine would be used to protect hikers, campers and other people who are outdoors in the summer against the

disease, which can cause a rash and fever and lead to arthritis. It stimulates the body to make antibodies against the outer surface protein of the *Borrelia burgdorferi*, the bacterium that transmits Lyme disease from ticks to humans. The FDA's vaccines advisory committee, made up of doctors who are experts on vaccines, all agreed the SmithKline vaccine was both safe and effective in preventing Lyme disease. The FDA usually follows such advice. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554340974-b24>

*** U.S. study lauds cholesterol-lowering drug

Healthy middle-aged men and women with average cholesterol levels could cut the risk of a first-time heart attack or related problem by taking the drug lovastatin, according to a study published Tuesday. The study, preliminary results from which were made public last year at an American Heart Association conference in Florida, was funded by a grant from Merck & Co. which makes the lipid-lowering drug, sold as Mevacor. The study found test subjects, who had no previous history, signs or symptoms of heart disease, had a 37% reduced risk over five years for a heart attack, unstable angina or sudden cardiac death when given lovastatin. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554337466-596>

*** U.S. prenatal care rises but to what end, study asks

More pregnant women get prenatal care than in the past, but the higher incidence of premature and low-weight births raises doubts

about whether the right women receive care. Researchers from the National Center for Health Statistics who examined all 54 million U.S. births from 1981 to 1995 said Tuesday they found rates of prenatal care rose for both high-risk and low-risk expectant mothers during the period. Among at-risk women expecting a multiple birth, for example, nearly one in four received intensive prenatal care in 1995, compared with fewer than one in 10 in 1981. Intensive prenatal care involving several doctor visits and high-tech procedures such as amniocentesis was also more common among women at low risk of a problem pregnancy. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554339859-93a>

*** A quarter of eligible children not in Medicaid, See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554197880-857>

Technology

*** Government preparing charges against Intel

Government lawyers are preparing charges Intel Corp. - maker of chips at the heart of nearly all personal computers - illegally abused monopoly power to hurt rivals, sources familiar with the case said Tuesday. Within the next week, top staff at the Federal Trade Commission will review the proposed charges against the Santa Clara, Calif., company, which makes the microprocessors running four out of five PCs, the sources said. The five-member commission may vote to

approve narrow charges against the company. Those charges are likely to be broadened later. The move comes as the Justice Department and 20 states are pursuing major antitrust actions against Microsoft Corp. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554340993-7a2>

*** U.S. hopes new Internet plan will appease critics

A senior adviser to President Clinton said Tuesday he hoped a revised plan for reforming the Internet address system would dispel European and Australian concerns it was too U.S.-dominated. Internet policy guru Ira Magaziner said he hoped the Clinton administration's "white paper" on phasing out U.S. government involvement in running the Internet's naming and address system would come out later this week. The document will refine proposals made in a "green paper" earlier this year to turn over management of the system to the private sector and stimulate competition for registering new Internet addresses. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554340640-490>

The Environment

*** 3 charged in Fla. reptile smuggling ring

An international smuggling ring shipped a menagerie of rare reptiles from the Peruvian rainforest into Florida by hiding them inside

packages of tropical fish, U.S. officials said Tuesday. A grand jury indicted Italo Donadio, of Iquitos, Peru, and Blas Elias, of Miami, each on one charge of conspiracy and three charges of smuggling protected wildlife Tuesday. They face up to five years imprisonment and up to \$250,000 in fines on each of the counts, the U.S.

Attorney's office said. John Shanahan, also of Miami, was charged with two counts of unlawfully purchasing more than 200 protected Mata turtles illegally taken from the Peruvian rainforest, charges that each carry a maximum penalty of up to two years in jail and \$250,000 in fines. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554340845-baf>

*** Agreement reached to tear down 160-year-old Maine dam

The Interior Department reached an agreement with conservation groups Tuesday to remove a 160-year-old dam on the Kennebec River in Maine.

When the dam, which is 917 feet long, is removed in about a year, 17 miles of prime river habitat will be made available for salmon.

Dismantling the structure will be paid for by private sources. The owner of the dam, Augusta-based Edwards Manufacturing Co., had appealed a decision made by the Federal Energy Regulatory Commission last November that the dam's operating license could not be renewed and the structure had to be torn down for environmental reasons at the expense of the company. It was the first time in history the federal government refused to relicense a hydrodam over an owner's objections. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554340531-d90>

*** Canadian firm downplays impact of Kyrgyzstan cyanide spill

Canadian mining concern Cameco Corp. continued to dismiss reports Tuesday a cyanide spill near its Kumtor gold mine in Kyrgyzstan had poisoned hundreds of villagers, killed livestock and polluted a resort lake. Government officials in the Central Asian nation said 240 cases of light poisoning had been registered since a truck en route to the Kumtor mine crashed last Wednesday, spilling 1,762 kilograms of granular sodium cyanide into the Barskoon River. But Cameco, which is based in Saskatoon in the Canadian province of Saskatchewan, said its local medical representatives had seen no signs of cyanide poisoning at the spill site or surrounding area. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554340311-4d8>

*** El Nino slows Earth's rotation - researchers

If you have noticed the days are getting a little longer, you are right - and it's not just the change of season - scientists said Tuesday. Researchers in Boston for a meeting of the American Geophysical Union blamed El Nino and its effects on the atmosphere for slowing the Earth's rotation by almost a thousandth of a second. "The energy is going from the Earth into the atmosphere. The Earth is slowing down," said NASA's Goddard Space Flight Center scientist Dr. John Gipson. He estimated at its peak in July 1997, El Nino slowed the Earth's rotation by 800 microseconds. Throughout the El Nino period, which is expected to taper off later this summer or in the

fall, the Earth's rotation has slowed by an average of 300 to 400

microseconds. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554341533-713>

*** Russians kill Chinese poachers on U.S. tip

Russian border guards shot dead two crew members of a Chinese fishing boat and wounded five after the U.S. coast guard tipped them the vessel was poaching in the Bering Strait, officials said Tuesday. A Moscow-based spokesman for the Federal Border Guard Service said the guards opened fire on the boat in the strait off the Kamchatka peninsula on Monday after it failed to stop and the crew ignored warning shots. The duty officer said by telephone a U.S. coast guard aircraft patrolling the area nearby had warned Russians about the poachers in the strait separating the two countries. Russian border guards have regularly opened fire on Japanese poachers in territorial waters in recent years. Clashes with Chinese poachers are much rarer. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554332111-82c>

*** WWF says state inaction destroying Europe's forests

Europe's forests are being destroyed because governments have reneged on their promises to protect them, the World Wide Fund for Nature said Tuesday. "The complacency and inertia is astonishing," said WWF International's Director General Claude Martin. He said European countries, under fire from developing nations for complaining about the destruction of the tropical rainforests while allowing their own

woodlands to deteriorate, had pledged in Helsinki in 1993 to improve forest conservation. Five years on, they had not only failed to honor their pledges but were claiming everything was fine, Martin said. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554338874-071>

Human Interest

*** McDonald's Beanies, weekend sales top U.S. records

"No More Beanies" read the hand-written sign on the door of the Barrington McDonald's restaurant. "Two days," said one employee as he popped a plastic toy into a bag with a child's Happy Meal. "30 cases in two days." The scene was not uncommon. McDonald's Teenie Beanie Babies promotion, which started May 22, has become the company's hottest promotion ever, breaking U.S. sales records and topping last year's similar campaign - the company's most successful until now. Beanie Babies, made by Illinois-based plush toy maker Ty Inc., have become a craze across the U.S. among kids and adult collectors alike. McDonald's offers miniature versions of the stuffed animals available in retail outlets. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554340656-d40>

*** Expedition visits wreckage of U.S. Civil War ship

Divers aboard a U.S. Navy ship returned to the watery grave of the

USS Monitor off the North Carolina coast Tuesday to recover artifacts and assess the condition of the decaying Civil War warship. The divers will survey the historic wreck resting on the floor of the Atlantic Ocean about 16 miles southeast of Hatteras as part of a bid to salvage the propeller, rudder and other artifacts from one of the world's first ironside ships. Diving teams also will determine whether they can stabilize parts of the sunken ship, which revolutionized naval warfare during a four-hour Civil War battle with the ironclad Confederate ship CSS Virginia. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554337394-425>

***** Stars come to Arabia for new Planet Hollywood**

Tinseltown came to Arabia Tuesday with the gala debut in Dubai of the latest Planet Hollywood, the movie memorabilia theme restaurant chain founded in New York six years ago. Actor Bruce Willis, who is on a nine-country tour of Planet Hollywood restaurants, brought glamor to the glitzy desert city of Dubai, on the shores of the Gulf, with his business partners Sylvester Stallone and Patrick Swayze. Swayze, who breeds Arabian horses and is scouting locations for a film about them, sweltered with Wesley Snipes and supermodel Cindy Crawford as they paraded with other celebrity guests along a 200-yard red carpet to the restaurant on a hot and humid night. See <http://www.infobeat.com/stories/cgi/story.cgi?id=2554339177-3c7>

***** Berlin's Olympic stadium to be renovated**

Berlin's Olympic stadium, built by Adolf Hitler's Nazis to host the 1936 Olympic Games, is to be renovated as a multi-functional sports venue, the Berlin city government said Tuesday. City officials said a large part of the original 75,000-seat stadium would be preserved and the renovated stadium would have a capacity of 80,000 seats. It would act as the venue for all the city's major sporting events, the Berlin government said. Soccer officials also want the stadium to be one of the centerpieces of Germany's bid to stage the 2006 soccer World Cup. Officials also said they wanted to ensure the stadium, could continue to function during rebuilding. See

<http://www.infobeat.com/stories/cgi/story.cgi?id=2554337485-f0b>

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SUBJECT: Early Report: ASIAN FINANCIAL CRISIS, middle east

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

READ:UNKNOWN

TEXT:

In comment on the Asian financial crisis, foreign media analysts focused on the key role of the IMF, problems that could arise from the devaluation of the Japanese yen, and the threat that the Asian turmoil could yet spill over and cause great damage to economies in the West and the rest of the developing world. Pundits in Indonesia, China, Russia, Spain and Brazil hoped for a "flexible attitude" in the IMF's resuming loans to Indonesia and argued that "the IMF--not the G-7--should be the one to identify new risks in the international financial system." They also called, however, for a review of the role of the IMF and worried about a more "comprehensive crisis" as a result of the "costs of the economic adjustments the governments of the [Asian] region promised the IMF." Analysts in France and Spain noted the possible further devaluation of the Japanese yen, which they feared could trigger a corresponding fall in the Chinese currency and possible deflation in that country. They argued that an increase in the U.S.' commercial deficit with Japan is a price that "will simply have to be paid" if this will "avoid a depression in Japan." London's liberal Guardian was not so sure about the U.S. willingness to pay such a price: "America's bubble economy is acutely vulnerable to a worsening of Asia's troubles.... The new phase of the Asian crisis we are now entering could be a prelude to a trade war--initiated by protectionists in the U.S. Congress--and a major setback on Wall Street."

MIDDLE EAST: MORE PROVOCATIONS AND A CALL FOR ARAB SUMMIT

The media in the Middle East and some European countries gave top play to the Clinton administration's denunciation of House Speaker Gingrich's reported remarks regarding Secretary Albright, Mr. Gingrich's appearance before the Israeli parliament and the rising tensions in Jerusalem following the building of temporary structures by Jewish settlers in the city's Muslim Quarter. No comment was available from either Arabs or Israeli publications on the first two developments, however. Israeli writers condemned the action in Jerusalem by the settlers' association--Ateret Cohanim--as a "provocation" that might lead "to ceaseless friction between Arabs and Jews, ignite violence and accelerate the terror loop." Arab analysts had mixed reactions to Palestinian President Arafat's call yesterday for an Arab summit on Middle East peace issues. A Qatari observer endorsed the call, while an Egyptian editorial urged all Arabs to "employ international sympathy for the Palestinian people." Conservative Al-Riyadh, on the other hand, declared that Mr. Arafat, "because of the age factor," is "no longer suitable (to lead) a battle which needs leaders with vision, the ability to maneuver, and resolve." The paper instead suggested that Arabs should unite "to restore the Arab boycott, to reactivate the role of the Arab League...and to prepare for surprises, including military surprises."

BRIEFS

- U.S.-China: 'Beijing Never Interferes In Others' Affairs'
- India's Nuclear Tests: U.S. Reaction, Views From Russia, China
- WTO: 'Global Market War' Shaping Up?

-- Cohen To Argentina: 'Common Agenda' With U.S.

EDITORS: Mildred Sola Neely, Bill Richey and Kathleen J. Brahney

ASIAN FINANCIAL CRISIS: FOCUS ON IMF, YEN'S FALL, GLOBAL DAMAGE

INDONESIA: "Habibie's Economic Agenda"

The leading, independent, English-language Jakarta Post asserted (5/27):

"World Bank loans are badly needed to assist the immediate establishment of a social safety net, including labor-intensive programs to employ the millions of jobless workers. The longer such initiatives are delayed, the more serious become the risks of a new wave of social unrest and rioting engulfing the country. Speedy disbursement of aid from the Asian Development Bank is no less important because it will accelerate restructuring of the country's banking sector. Credits from country donors such as Singapore, the United States, Japan and Australia will help reinvigorate Indonesia's foreign trade, which is currently crippled because of the international communities' refusal to accept letters of credit from Indonesian banks."

"Create A Conducive Climate"

Business-oriented Bisnis Indonesia held (5/26): "If the IMF, often called an extension of the U.S., agrees to provide aid, we will then be able to take a deep breath. An IMF agreement surely will be followed by agreements by other international financial institutions and will be an encouraging factor for private institutions.... Political reform must

go along with economic reform."

CHINA: "Aid To Indonesia: IMF Raises The Ante"

Gao Shijun commented in the official Chinese Youth Party China Youth Daily (Zhongguo Qingnianbao) (5/27): "Indonesia's neighbors hope the IMF will adopt a flexible attitude in resuming loans to Indonesia because they are fearful of a further deterioration of the Indonesian economy and a potential subsequent wave of refugees crossing the borders."

SOUTH KOREA: "Indonesian Economic Reform: Military Holds Key"

An op-ed article in the pro-business Joong-Ang Ilbo (5/27) opined: "The political arena is bound to remain confusing for now, especially since the new president, who is struggling to stay alive politically, has neither time nor energy to resolve the country's financial crisis.... That the Habibie administration is a transitional one makes it even more likely that the economy is headed toward a collapse. Financial institutions have stopped functioning, and corporate funds are not flowing adequately.... Prospects for an economic recovery remain uncertain, even with the change in political systems. The military is almost blocking recovery in order to protect its economic privileges."

BRITAIN: "Bad Times Coming"

The liberal Guardian had this think piece by London University's Professor John Gray (5/27): "Asia's economic crisis has not ended. It has moved

into another and deeper phase that is bound to have serious repercussions for Western economies..... While turmoil in Asian financial markets may have helped trigger Soeharto's downfall, the long term economic damage it did in Indonesia could well have ensured the emergence, perhaps after a period in which the country becomes near ungovernable, of another authoritarian regime.... Conventional opinion is confident that, if only by default, through the disarray or meltdown of other types of capitalism, the Anglo-American free market has won out. But global laissez-faire has no long term winners. It is too volatile for that. Instead it works to transform all varieties of capitalism--including the American model whose victory is being trumpeted. America's bubble economy is acutely vulnerable to a worsening of Asia's troubles.... The new phase of the Asian crisis we are now entering could be a prelude to a trade war--initiated by protectionists in the United States Congress--and a major setback on Wall Street. In that event, with the sudden disappearance of considerable amounts of stockmarket-generated wealth, the triumph of the American model will surely follow the Asian tiger economies down the memory hole of history."

FRANCE: "Planet Concerned By Falling Yen"

Vittorio De Filippis commented in left-of-center Liberation (5/27): "China is indeed the giant that is at the core of a nightmare called deflation. A term which has remained dormant since the '30s.... Since the beginning of the Asian crisis, China's exports have been falling steadily.... For the

moment, China is resisting and Beijing continues to say it will not devalue its currency. Until when? If the yen continues to fall, it could bring back that very undesirable economic phenomenon, triggered by a fall of the Chinese currency. This is why Japan and industrialized nations have everything to gain in stopping speculation against the yen."

RUSSIA: "IMF's Role Needs To Be Reviewed"

Reformist weekly Itogi (5/26) published this comment by Sergei Strokan: "As the Big Eight talked about the IMF's leading role in resolving the Indonesia crisis, the bank's officials fled Jakarta, anxious for their safety. As a result, the Eight could do no more than urge economic and political reforms in that country. The mountain brought forth a mouse. Reassessing Soeharto's legacy calls for reviewing the role of the IMF and other international institutions."

SPAIN: "Collapse Of Yen"

Barcelona's centrist La Vanguardia noted (5/26): "Certain statements by American Treasury Secretary Robert Rubin, from which one could derive the conclusion that the yen should be allowed to fall in order to avoid the collapse of the Japanese economy, produced a tumultuous session in currency markets yesterday.... It seems clear that Rubin has opted for the lesser evil: At 140 or even 150 yen to the dollar--the rates he mentioned--the commercial deficit of the United States vis-a-vis Japan would become even more acute than it is. But if this is the price that has to be paid to avoid a depression in Japan, it will simply have to be paid. The truth is that after the last G-7 Summit in Birmingham, the

pessimism felt regarding the likelihood of Japan's being able to overcome its current economic situation without having to resort to extraordinary measures--and not just in the economic sphere--was fairly widespread."

"A Crisis Poorly Dampened"

Liberal El Pais opined (5/26): "The Japanese economy, as distinguished from the rest of those in the region, is of great import in the world and justifies the pressure being applied by other great powers on Japanese authorities to devise ever more effective budgetary measures. But if such pressure on Tokyo to open its financial system and adopt economic stimuli is seen as necessary, it should be no less essential for the international community to prepare remedies to combat financial crises with global ramifications like the one being experienced in Asia. The IMF--not the G-7--should be the one to identify the new risks in the international financial system and to make ready new response mechanisms in the areas of oversight and control that would allow such crises to be anticipated."

BRAZIL: "Asian Crisis Threatens Anew"

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BRITAIN: "Arab Summit Would Be Watershed In Peace Process"

The Arafat call for a summit prompted this in the independent Financial Times (5/27): "The meeting would be a watershed in the peace process, since it would show how little normalization has taken place since the first Oslo accord was signed in 1993."

ITALY: "Provocation"

The mounting tension in Jerusalem was the topic of this assessment from Tel Aviv in centrist, influential La Stampa (5/27): "The settlers' provocation, which stirred up an angry Palestinian reaction, took place in a district called Burj Alaqraq, adjacent to what both Arabs and Jews call the Flowers Door.... In the meantime, yesterday in his speech at the Knesset, American Republican leader Newt Gingrich stated that Jerusalem,

unified under Israeli sovereignty,

should be recognized as the Israeli capital.... Gingrich was also criticized by the U.S. State Department. It rejected the Republican leader's statement, according to which Secretary Albright acted as the Palestinians agent, defining it an 'outrageous and unbelievable' statement."

BRIEFS

U.S.-CHINA: 'BEIJING NEVER INTERFERES IN OTHERS' AFFAIRS'

CHINA: "Maintaining Momentum Of U.S.-China Relationship"

Zhou Dewu remarked in Official Communist Party People's Daily (Renmin Ribao , 5/26): "Former U.S. Ambassador to China Winston Lord said that Clinton's forthcoming China visit is very significant and will contribute substantially.... He said that the United States side is considering doing something concrete to maintain the momentum of the U.S.-China relationship."

"China Does Not Interfere In Others' Affairs"

Official Communist Party People's Daily (Renmin Ribao) carried this Xinhua peice (5/25): "Chinese Ministry of Foreign Affaris spokesman, Zhu Bangzao, repeated that the Chinese government has always opposed any interference in other countries' internal affairs, and China has never and will never

use money to influence American politics. Sino-U.S. cooperation to launch satellites is completely in line with current international commercial practices."

"Rebutting U.S. Missile Technology Allegations"

Official English-language China Daily had this Xinhua item (5/25): "A veteran Chinese expert on carrier rocket technology denied that a U.S. satellite company helped China to improve its missile guidance and control systems during the investigation of the launch failure of China's Long March rocket in February 1996.... Li Jianzhong, president of the China Academy of Launch Vehicle Technology, accused some in the United States of spreading groundless fabrications."

UKRAINE: "Pro-China Tilt In White House?"

Centrist Den featured this comment (5/23) by Oleh Dorozhovets: "True, there are some grounds for the congressmen to suspect the White House's pro-Chinese orientation. During the Clinton administration American-Chinese trade has been liberalized the most. Year after year, the president has pushed through MFN status for China despite congressional opposition. It was this administration that decided that supercomputer and state-of-the-art technology exports to China would not harm national security. Washington has also promised to support China's accession to the WTO."

INDIA'S NUCLEAR TESTS: U.S. REACTION, VIEWS FROM RUSSIA, CHINA

INDIA: "U.S. Dithers With The Ax"

The top story of the day was Defense Minister George Fernandes's disclosure that Indian missiles will now be equipped with nuclear warheads and that India's recently-announced moratorium on testing will not affect the process of nuclear weaponization. Several prominent dailies front-paged Washington-dated stories stating that the World Bank on Tuesday announced that it was postponing discussion on several loans to India. The United News of India wire service report from Washington, front-paged by the Pioneer (5/27) under the headline above, said the "projected showdown between the United States and India" on the grant of the

loans "was averted on Tuesday, with the consideration of the loans being put off indefinitely. This was the first opportunity for the United States to punish India for exploding nuclear devices."

RUSSIA: "Multipolar World Or Global Unpredictability"

Boris Yunnanov mused in reformist writers' weekly Literaturnaya Gazeta (# 21, 5/27): "The Indian nuclear tests were the climax of a process--the construction of a multipolar world--that started right after the breakup of the USSR. To gain access to modern technologies is only part of the job. To incorporate them into the local infrastructure, without creating a seat of instability and provoking international tension, is far more difficult. Up till now only rich and stable countries have been able to do that painlessly. India, Pakistan, Iran, Cuba and Indonesia are certainly not

among them. The United States has been using all its power and influence to check their nuclear ambitions. But that seems to be late.

'Multipolarity' will live and triumph. The question is whether it benefits global security."

CHINA: "India Remains Aggressive"

Under the headline above, Wang Hui remarked in the official, English-language China Daily (5/23), "History has proved that any country that indulges in seeking regional or global hegemony will only run into a stone wall.... The Indian government should mend its way and stop antagonizing the peace-loving people of the world. If India continues to proceed down the wrong path, it will lose the trust of the world community as well as the support of its own people."

WTO: 'GLOBAL MARKET WAR' SHAPING UP?

ITALY: "Global Market War"

Economic commentator Salvatore Tropea judged in left-leaning, influential La Repubblica (5/27): "When it was born in 1944, GATT was named the 'Club of the Rich.'... Now...eighty percent of (WTO members) are developing countries.... Today the world's powerful cannot think that all others will accept their secondary role forever. The old policy of unilateral sanctions does not work anymore and creates problems even for Clinton who, if he did not have to deal with Congress, would try to get rid of (sanctions) or at least limit them as much as possible. Nor, does the

other 'made in the USA' attempt work, (which is) to deal with trade liberalization along the road of sectoral negotiations which allows the use of lobbying power and blackmail.... In Geneva Castro took on the task of accusing the United States. It was to be expected, it's true. But this did not prevent...(people) from realizing that Castro was not isolated, and that his critical remarks were shared, not only by the world's poor.... Globalization recalls the half-empty, half-full glass. Only new and unequivocal rules can make one part or the other prevail. Not by chance, WTO Director General Ruggiero continues to invoke them...but the temptation of the powerful remains, and the interests of those 200 multinational companies controlling the world's wealth can easily prevail.... This is something to remember before the next conference."

THE NETHERLANDS: 'U.S. Commitment To WTO'

Financial Het Financieele Dagblad featured this analysis (5/26) by Pieter Lalkens, who stressed: "The next (WTO) ministerial will be held in the United States and is expected to be a very important one during which the set-up of the 'new round' will be decided. The United States will have a large say in setting the agenda but--and this is very good for the EU--the United States cannot afford a failure in its own territory. This gives the Europeans an opportunity to successfully demand compromises."

COHEN TO ARGENTINA: 'COMMON AGENDA' WITH U.S.

ARGENTINA: "Increase In Joint Military Action"

Francisco Papini, daily-of record La Nacion's military expert, wrote (5/24): "Since Argentina accepted the MNNA status with the United States, intelligence information between both countries and military exchange has grown significantly. The presence of U.S. Secretary of Defense William Cohen in Buenos Aires clearly showed U.S. concern about the possibility of regional conflicts which may alter peace.... In the strictly military field, William Cohen said that there is important support in the U.S. Congress for providing weapons to Argentina. During yesterday's meeting they discussed joint maneuvers to compatibilize the weapons system of the two countries."

"In Harmony With U.S.: Common Agenda"

Daily-of-record La Nacion's political analyst Mariano Obarrio opined (5/20): "The possible interruption of Argentina's diplomatic ties with Iran...confirm that the government of Argentina has placed its bet on cooperation in defense and antiterrorism issues, as key topics in the bilateral agenda with the United States.... The recent visit of FBI Director Louis Freeh...and his meeting with President Carlos Menem, was neatly complemented with the reduction...of Argentine-Iranian ties.... And the circle will be completed next Saturday with the arrival...of Defense Secretary Cohen and SouthCom Chief General Wilhelm.... The staging of the automatic alignment of the Casa Rosada (Government House) with the White House could not take place at a better moment."

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X' hp x ASIAN FINANCIAL CRISIS: FOCUS ON IMF, YEN'S FALL,
GLOBAL DAMAGE

X' hp x

In comment on the Asian financial crisis, foreign media analysts focused on
th

e key role of the IMF, problems that could arise from the devaluation of
the Ja

panese yen, and the threat that the Asian turmoil could yet spill
over and caus

e great damage to economies in the West and the rest of the
developing world.

Pundits in Indonesia, China, Russia, Spain and Brazil

hoped for a "flexible att

itude" in the IMF's resuming loans to Indonesia

and argued that "the IMFnot the

G7should be the one to identify new
risks in the international financial syste

m." They also called, however,
for a review of the role of the IMF and worried

about a more "comprehensive
crisis" as a result of the "costs of the economic
adjustments the

governments of the [Asian] region promised the IMF." Analysts
in France

and Spain noted the possible further devaluation of the Japanese yen,
which

they feared could trigger a corresponding fall in the Chinese currency a
nd

possible deflation in that country. They argued that an increase in the U.S

.' commercial deficit with Japan is a price that "will simply have to be paid"

if this will "avoid a depression in Japan." London's liberal Guardian was not

so sure about the U.S. willingness to pay such a price:

"America's bubble econ

omy is acutely vulnerable to a worsening of Asia's

troubles.... The new phase

of the Asian crisis we are now entering could

be a prelude to a trade war initia

ted by protectionists in the U.S.

Congress and a major setback on Wall Street."

MIDDLE EAST: MORE PROVOCATIONS AND A CALL FOR ARAB SUMMIT

The media in the Middle East and some European countries gave top play to the

Clinton administration's denunciation of House Speaker Gingrich's reported rema

rks regarding Secretary Albright, Mr. Gingrich's appearance before the Israeli

parliament and the rising tensions in Jerusalem

following the building of tempo

rary structures by Jewish settlers in the

city's Muslim Quarter. No comment wa

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Israeli publications on the first two developm

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writers condemned the action in Jerusalem by the settle

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" Arab analysts had mixed reactions to Palestinian

President Arafat's call yes

terday for an Arab summit on Middle East peace

issues. A Qatari observer endor

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urged all Arabs to "employ internatio

nal sympathy for the Palestinian

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X' hp x EDITORS: Mildred Sola Neely, Bill Richey and Kathleen J. Brahney

ASIAN FINANCIAL CRISIS: FOCUS ON IMF, YEN'S FALL, GLOBAL DAMAGE

INDONESIA: "Habibie's Economic Agenda"

The leading, independent, Englishlanguage Jakarta Post asserted (5/27):

"Worl

d Bank loans are badly needed to assist the immediate establishment
of a socia

l safety net, including laborintensive programs to employ the
millions of jobl

ess workers. The longer such initiatives are delayed, the
more serious become

the risks of a new wave of social unrest and rioting
engulfing the country.

Speedy disbursement of aid from the Asian

Development Bank is no less importan

t because it will accelerate

restructuring of the country's banking sector. C

redits from country

donors such as Singapore, the United States, Japan and Aus
tralia will help

reinvigorate Indonesia's foreign trade, which is currently cr
ippled

because of the international communities' refusal to accept letters of

credit from Indonesian banks."

"Create A Conducive Climate"

Businessoriented Bisnis Indonesia held (5/26): "If the IMF, often called
an

extension of the U.S., agrees to provide aid, we will then be able to
take a d

eeep breath. An IMF agreement surely will be followed by
agreements by other

international financial institutions and will be an

encouraging factor for pri

vate institutions.... Political reform must

go along with economic reform."

CHINA: "Aid To Indonesia: IMF Raises The Ante"

Gao Shijun commented in the official Chinese Youth Party China Youth Daily
(Zh

ongguo Qingnianbao) (5/27): "Indonesia's neighbors hope the IMF will adopt a flexible attitude in resuming loans to Indonesia because they are fearful of a further deterioration of the Indonesian economy and a potential subsequent wave of refugees crossing the borders."

SOUTH KOREA: "Indonesian Economic Reform: Military Holds Key"

An oped article in the probusiness JoongAng Ilbo (5/27) opined: "The political arena is bound to remain confusing for now, especially since the new president, who is struggling to stay alive politically, has neither time nor energy to resolve the country's financial crisis.... That the Habibie administration is a transitional one makes it even more likely that the economy is headed toward a collapse. Financial institutions have stopped functioning, and corporate funds are not flowing adequately.... Prospects for an economic recovery remain uncertain, even with the change in political systems. The military is almost blocking recovery in order to protect its economic privileges."

BRITAIN: "Bad Times Coming"

The liberal Guardian had this think piece by London University's Professor John Gray (5/27): "Asia's economic crisis has not ended. It has moved into another and deeper phase that is bound to have serious repercussions for Western economies.... While turmoil in Asian financial markets may have helped trigger Soeharto's downfall, the long term economic damage it did in Indonesia could well have ensured the emergence, perhaps after a period in which the country becomes near ungovernable, of another authoritarian regime.... Conventional opinion is confident that, if only by default, through the disarray or meltdown of other types of capitalism, the AngloAmerican free market has won out. But global laissezfaire has no long term winners. It is too volatile for that. Instead it works to transform all varieties of capitalism including the American model without hose

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are now entering could be a prelude to a trade war initiated by
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the United States Congress and a major setback on Wall
Street. In that event,
with the sudden

disappearance of considerable amounts of stock market generated wealth, the
triumph of the American model will surely follow the Asian tiger economies
down the
memory hole of history."

FRANCE: "Planet Concerned By Falling Yen"

Vittorio De Filippis commented in left of center Liberation (5/27): "China
is indeed the giant that is at the core of a nightmare called deflation. A
term which
has remained dormant since the '30s.... Since the beginning of
the Asian crisis,
China's exports have been falling steadily.... For the moment, China is
resisting and Beijing continues to say it will not
devalue its currency. Until
when? If the yen continues to fall, it could
bring back that very undesirable
economic phenomenon, triggered by a fall
of the Chinese currency. This is why
Japan and industrialized nations have
everything to gain in stopping speculation
against the yen."

RUSSIA: "IMF's Role Needs To Be Reviewed"

Reformist weekly Itogi (5/26) published this comment by Sergei Strokan: "As
the Big Eight talked about the IMF's leading role in resolving the
Indonesia crisis,
the bank's officials fled Jakarta, anxious for their
safety. As a result,
the Eight could do no more than urge economic and
political reforms in that country. The mountain brought forth a mouse.
Reassessing Soeharto's legacy calls
for reviewing the role of the IMF and
other international institutions."

SPAIN: "Collapse Of Yen"

Barcelona's centrist La Vanguardia noted (5/26): "Certain statements by

American Treasury Secretary Robert Rubin, from which one could derive the conclusion that the yen should be allowed to fall in order to avoid the collapse of the Japanese economy, produced a tumultuous session in currency markets yesterday.... It seems clear that Rubin has opted for the lesser evil: At 140 or even 150 yen to the dollar the rates he mentioned the commercial deficit of the United States vis-à-vis Japan would become even more acute than it is. But if this is the price that has to be paid to avoid a depression in Japan, it will simply have to be paid. The truth is that after the last G7 Summit in Birmingham, the pessimism felt regarding the likelihood of Japan's being able to overcome its current economic situation without having to resort to extraordinary measures and not just in the economic sphere was fairly widespread."

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Josef Joffe observed in an editorial in centrist Sueddeutsche Zeitung of Munich (5/27), "Netanyahu's scope of action is great. He could very well leave 13 percent of the territory without touching any of the Israeli settlements. Or he could withdraw from 11 percent and give assurances to Arafat that he would to continue the withdrawal process once Arafat accomplished several tasks that would help Netanyahu against his own ultraconservative alliance partners. But neither of the two can play this game for too long. Arafat must demonstrate to his people that there is some progress, while Netanyahu cannot put Bill Clinton off forever. And both are aware of the fact that a standstill carries risks which neither would be able to keep under control."

BRITAIN: "Arab Summit Would Be Watershed In Peace Process"

The Arafat call for a summit prompted this in the independent Financial Times (5/27): "The meeting would be a watershed in the peace process, since it would show how little normalization has taken place since the first Oslo accord was signed in 1993."

ITALY: "Provocation"

The mounting tension in Jerusalem was the topic of this assessment from Tel

Av
iv in centrist, influential La Stampa (5/27): "The settlers'
provocation, which
h stirred up an angry Palestinian reaction, took place in
a district called Bu
rj Alaq, adjacent to what both Arabs and Jews call
the Flowers Door.... In
the meantime, yesterday in his speech at the
Knesset, American Republican leader
Newt Gingrich stated that Jerusalem,
unified under Israeli sovereignty,

should be recognized as the Israeli capital.... Gingrich was also
criticized
by the U.S. State Department. It rejected the Republican
leader's statement,
according to which Secretary Albright acted as the
Palestinians agent, defining
it an 'outrageous and unbelievable'
statement."

BRIEFS

U.S.CHINA: 'BEIJING NEVER INTERFERES IN OTHERS' AFFAIRS'

CHINA: "Maintaining Momentum Of U.S.China Relationship"

Zhou Dewu remarked in Official Communist Party People's Daily (Renmin
Ribao, 5
/26): "Former U.S. Ambassador to China Winston Lord said that
Clinton's forthcoming
China visit is very significant and will contribute
substantially....
He said that the United States side is considering doing
something concrete to
maintain the momentum of the U.S.China
relationship."

"China Does Not Interfere In Others' Affairs"

Official Communist Party People's Daily (Renmin Ribao) carried this Xinhua
report
ce (5/25): "Chinese Ministry of Foreign Affairs spokesman, Zhu Bangzao,
repeated that the Chinese government has always opposed any interference
in other countries'
internal affairs, and China has never and will never
use money to influence
American politics. SinoU.S. cooperation to launch
satellites is completely
in line with current international commercial
practices."

"Rebutting U.S. Missile Technology Allegations"

Official Englishlanguage China Daily had this Xinhua item (5/25): "A veteran Chinese expert on carrier rocket technology denied that a U.S. satellite company helped China to improve its missile guidance and control systems during the investigation of the launch failure of China's Long March rocket in February 1996.... Li Jianzhong, president of the China Academy of Launch Vehicle Technology, accused some in the United States of spreading groundless fabrications."

UKRAINE: "ProChina Tilt In White House?"

Centrist Den featured this comment (5/23) by Oleh Dorozhovets: "True, there are some grounds for the congressmen to suspect the White House's proChinese orientation. During the Clinton administration AmericanChinese trade has been liberalized the most. Year after year, the president has pushed through MFN status for China despite congressional opposition. It was this administration that decided that supercomputer and stateoftheart technology exports to China would not harm national security. Washington has also promised to support China's accession to the WTO."

INDIA'S NUCLEAR TESTS: U.S. REACTION, VIEWS FROM RUSSIA, CHINA

INDIA: "U.S. Dithers With The Ax"

The top story of the day was Defense Minister George Fernandes's disclosure that Indian missiles will now be equipped with nuclear warheads and that India's recentlyannounced moratorium on testing will not affect the process of nuclear weaponization. Several prominent dailies frontpaged Washingtondatelined stories stating that the World Bank on Tuesday announced that it was postponing discussion on several loans to India. The United News of India wire service report from Washington, frontpaged by the Pioneer (5/27) under the headline above, said the "projected showdown between the United States and India" on the grant of the

loans "was averted on Tuesday, with the consideration of the loans being put off indefinitely. This was the first opportunity for the United States to punish India for exploding nuclear devices."

RUSSIA: "Multipolar World Or Global Unpredictability"

Boris Yunnanov mused in reformist writers' weekly Literaturnaya Gazeta (#21, 5/27): "The Indian nuclear tests were the climax of a process the construction of a multipolar world that started right after the breakup of the USSR. To gain access to modern technologies is only part of the job. To incorporate them into the local infrastructure, without creating a seat of instability and provoking international tension, is far more difficult. Up till now only rich and stable countries have been able to do that painlessly. India, Pakistan, Iran, Cuba and Indonesia are certainly not among them. The United States has been using all its power and influence to check their nuclear ambitions. But that seems too late. 'Multipolarity' will live and triumph. The question is whether it benefits global security."

CHINA: "India Remains Aggressive"

Under the headline above, Wang Hui remarked in the official, English language China Daily (5/23), "History has proved that any country that indulges in seeking regional or global hegemony will only run into a stone wall.... The Indian government should mend its way and stop antagonizing the peace-loving people of the world. If India continues to proceed down the wrong path, it will lose the trust of the world community as well as the support of its own people."

WTO: 'GLOBAL MARKET WAR' SHAPING UP?

ITALY: "Global Market War"

Economic commentator Salvatore Tropea judged in left-leaning, influential La Repubblica (5/27): "When it was born in 1944, GATT was named the 'Club

of the Ric
h.'... Now...eighty percent of (WTO members) are developing
countries.... Tod
ay the world's powerful cannot think that all others will
accept their secondar
y role forever. The old policy of unilateral
sanctions does not work anymore a
nd creates problems even for Clinton who,
if he did not have to deal with Congr
ess, would try to get rid of
(sanctions) or at least limit them as much as poss
ible. Nor, does the
other 'made in the USA' attempt work, (which is) to deal w
ith trade
liberalization along the road of sectoral negotiations which allows t
he use
of lobbying power and blackmail.... In Geneva Castro took on the task o
f
accusing the United States. It was to be expected, it's true. But this
did
not prevent...(people) from realizing that Castro was not isolated,
and that
his critical remarks were shared, not only by the world's
poor.... Globalizati
on recalls the halfempty, halffull glass. Only new
and unequivocal rules can
make one part or the other prevail. Not by
chance, WTO Director General Ruggie
ro continues to invoke them...but the
temptation of the powerful remains, and
the interests of those 200
multinational companies controlling the world's wea
lth can easily
prevail.... This is something to remember before the next confe
rence."

THE NETHERLANDS: 'U.S. Commitment To WTO'

Financial Het Financieele Dagblad featured this analysis (5/26) by Pieter
Lal
kens, who stressed: "The next (WTO) ministerial will be held in the
United St
ates and is expected to be a very important one during which the
setup of the
'new round' will be decided. The United States will have a
large say in settin
g the agenda butand this is very good for the EUthe
United States cannot afford
a failure in its own territory. This gives the
Europeans an opportunity to s
uccessfully demand compromises."
X' hp x

COHEN TO ARGENTINA: 'COMMON AGENDA' WITH U.S.

ARGENTINA: "Increase In Joint Military Action"

X' hp x

Francisco Papini, dailyof record La Nacion's military expert, wrote (5/24): "S

ince Argentina accepted the MNNA status with the United States, intelligence in

formation between both countries and military exchange has grown significantly.

The presence of U.S. Secretary of Defense William Cohen in Buenos Aires cle

arly showed U.S. concern about the possibility of regional conflicts which may

alter peace.... In the strictly military field, William Cohen said that there is important support in the U.S.

Congress for providing weapons to Argentina.

During yesterday's meeting

they discussed joint maneuvers to compatibilize the weapons system of the two countries."

"In Harmony With U.S.: Common Agenda"

Dailyofrecord La Nacion's political analyst Mariano Obarrio opined (5/20): "Th

e possible interruption of Argentina's diplomatic ties with Iran...confirm that

the government of Argentina has placed its bet on cooperation in defense and a

ntiterrorism issues, as key topics in the bilateral agenda with the United Stat

es.... The recent visit of FBI

Director Louis Freeh...and his meeting with Pre sident Carlos Menem, was

neatly complemented with the reduction...of ArgentineI ranian ties.... And

the circle will be completed next Saturday with the arriva l...of Defense

Secretary Cohen and SouthCom Chief General Wilhelm.... The sta ging of the

automatic alignment of the Casa Rosada (Government House) with the White

House could not take place at a better moment."

###Xx\ P6QyXP#

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

===== ATTACHMENT 2 =====

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

TEXT:

RFC-822-headers:

Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.1-9 #29131)
id <01IXIQNP1SG00A5VE@PMDF.EOP.GOV> for Matsui_d@a1.eop.gov; Wed,
27 May 1998 07:36:55 EDT

Received: from Storm.EOP.GOV by PMDF.EOP.GOV (PMDF V5.1-9 #29131)
with ESMTP id <01IXIQN8JBU800AYQH@PMDF.EOP.GOV> for Matsui_d@a1.eop.gov; Wed,

27 May 1998 07:36:41 -0400 (EDT)

Received: from NOTES1.USIA.GOV ([198.67.64.251])

by STORM.EOP.GOV (PMDF V5.1-10 #22921)

with SMTP id <01IXIQMH205C002R2X@STORM.EOP.GOV> for Matsui_d@A1.EOP.GOV; Wed,

27 May 1998 07:35:51 -0400 (EDT)

Received: by NOTES1.USIA.GOV(Lotus SMTP MTA v1.06 (346.8 3-18-1997))

id 85256611.003F6E41 ; Wed, 27 May 1998 07:32:49 -0400

X-Lotus-FromDomain: USIA

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

ARMS Email SystemRECORD TYPE: PRESIDENTIAL (TRP NOTES MAIL)

CREATOR: The Economist (The Economist <null@postbox.co.uk> [UNKNOWN])

CREATION DATE/TIME: 4-JUN-1998 18:23:23.00

SUBJECT: Politics This Week May 30th - June 5th 1998

TO: economist-politics (economist-politics@postbox.co.uk [UNKNOWN])

READ:UNKNOWN

Peter Rundlet (CN=Peter Rundlet/OU=WHO/O=EOP [WHO])

READ:UNKNOWN

TEXT:

Note: Some recipients have been dropped due to syntax errors.Please refer to the "\$AdditionalHeaders" item for the complete headers.

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As the stand-off between India and Pakistan threatens to turn into an arms race, the world must strengthen its efforts to thwart the spread of nuclear weapons * Chemical and biological weapons may be just as hard to control * IBM under the microscope * Truth may preclude reconciliation in Indonesia * Whites flee South Africa's crime * Why the merger of Monsanto and AHP has not excited Wall Street * The economics of prejudice *

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ASIAN TENSIONS

- + China joined other established nuclear powers in an effort to persuade India and Pakistan not to build up NUCLEAR WEAPONS after their recent tests (five in India, six in Pakistan). Pakistan accepted, but India rejected, a Japanese offer to mediate in the disputed region of Kashmir.

- + The Indian government increased MILITARY SPENDING in its budget, but other measures to boost growth failed to impress investors.

- + Indonesia began an inquiry into the wealth of former PRESIDENT SUHARTO, whose family's extensive business interests have come under scrutiny since he stepped down.

- + An EARTHQUAKE in northern Afghanistan killed up to 5,000 people and left thousands homeless. Many had been living in tents since an earthquake devastated the area in February.

KOSOVO FLARES

- + Serbia, the main part of Yugoslavia, stepped up its war against separatist guerrillas in KOSOVO, its Albanian-speaking province. Thousands fled to Albania.
- + A party led by Milo Djukanovic, the reforming president of MONTENEGRO, the smaller of Yugoslavia's two republics, won the general election, humiliating the Yugoslav president, Slobodan Milosevic.
- + RUSSIA's financial crisis eased slightly; the plummeting stockmarket recovered a little. But foreigners offered no more than words of support.
- + Silvio Berlusconi, leader of ITALY's right-wing opposition, helped kybosh constitutional reforms that have been under debate for 18 months.
- + The American government said that five neutral countries -- Portugal,

Spain, Sweden, Turkey and Argentina -- had accepted \$300m-worth of
LOOTED GOLD from Germany's Nazi government during the second world war
in exchange for commodities that helped prolong the conflict.

+ Turkey's prime minister, MESUT YILMAZ, said he would resign at the end
of this year to give an interim government time to prepare for a
general election in April 1999.

+ Danes voted in a referendum to ratify the AMSTERDAM TREATY, which paves
the way for the European Union to expand.

+ At least 100 people died in a TRAIN CRASH in the German state of Lower
Saxony.

PRIVILEGE DENIED

+ President Clinton dropped his claim that EXECUTIVE PRIVILEGE prevented
two top aides giving evidence to the Whitewater special prosecutor,
Kenneth Starr, about his relationship with Monica Lewinsky. Miss
Lewinsky fired her lawyer, William Ginsburg, and hired a new defence
team.

+ In CALIFORNIA, grey Gray Davis won the Democratic nomination for the governorship, beating rich Al Checchi, who had spent some \$40m of his money on the race. The voters approved a proposition to dismantle bilingual-education programmes, affecting mainly Latinos.

+ More Latino trouble for Americans. MEXICO urged the Organisation of American States to study admitting Cuba. An ARGENTINE judge signed international arrest warrants for four present or former IBM executives suspected of bribery. And CHILE denounced a Commerce Department call for "anti-dumping" duties on salmon.

+ COLOMBIA's presidential vote produced a huge vote for an independent, Noemi Sanin, third overall and first in the big cities. But the two candidates for the run-off on June 21st are the Conservatives' Andres Pastrana and, a nose ahead, the ruling Liberals' Horacio Serpa, whom pollsters had put far behind.

+ In ECUADOR's presidential vote, Quito's mayor, Jamil Mahuad, led banana tycoon Alvaro Noboa, a pal of (deposed) ex-President Abdala Bucaram.
Run-off: July 12th.

+ An ARGENTINE court ruled that President Carlos Menem could not run in

1999 for a third term. In PERU, where a law allows President Alberto Fujimori to do so in 2000, reformers produced enough signatures to require a referendum that could block him.

+ After a detailed recount, a Caribbean Community audit found no fraud in December's election of GUYANA's new President Janet Jagan.

ON THE HORN

+ A simmering border dispute between ETHIOPIA AND ERITREA exploded into fighting. Fears rose of a full-scale war between these former allies.

+ Iraq told the UN Security Council that it had no WEAPONS OF MASS DESTRUCTION left, or documents relating to them undisclosed, and that sanctions should be lifted. The UN's weapons inspectors, disputing

this,

listed in detail the actions that still remain for Iraq to take.

+ The MUJAHIDEEN KHALQ, Iran's armed opposition operating from Iraq, attacked a revolutionary court in Tehran. Three people died. Iran claimed to have foiled an attack on a military building.

+ Fighting broke out at the Western Wall, Judaism's holiest site in Jerusalem, when ULTRA-ORTHODOX JEWS did not like the way less orthodox Jews were praying.

+ Professor Geoffrey Gatera, former head of Rwanda's university medical school, was sentenced to death by a court in Butare for his involvement in the MASSACRE of hundreds of Tutsis in 1994 who had sought refuge in the hospital.

+ Heavy fighting continued in SIERRA LEONE between the West African peacekeeping force and men loyal to the ousted junta. Aid agencies said some 42,000 displaced people were without food.

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ARMS Email SystemRECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: anderson (anderson@chip.mic.cl@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:24-JUN-1998 10:32:00.00

SUBJECT: CHIP News for June 24, 1998

TO: Steven J. Ronnel (Steven J. Ronnel@EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

June 24, 1998

*

HEADLINE: MILITARY REAL ESTATE DEALINGS QUESTIONED

Deputies To Block Military Budget Until Situation Clarified

KEYWORDS: MILITARY; JUSTICE

SOURCE: LA EPOCA

SOURCE: LA TERCERA

TEXT: A series of irregular real estate transactions by the Armed Forces prompted a group of legislators from the Party for Democracy (PPD) to announce Monday that they will block approval of the military budget until the alleged corruption is clarified.

Laura Soto (PPD) and Adriana Munoz (PPD), vice-president of the Chamber of Deputies, harshly criticized the Public Assets Law (PAF), enacted in 1971, which allows the Armed Forces to independently sell assets assigned to it by the state and convert them into the PAF category of assets. These assets can then be legally sold or rented to third parties, without any governmental control.

The daily newspaper La Epoca reported Monday at least three known cases in which the Armed Forces used the PAF

mechanism to carry out real estate dealings that were contrary to its stated plans for the properties. The first was the 1996 sale of Army property in Rancagua to a private construction company after it had defined the property's future use before the National Properties Ministry as military housing. The Ministry clearly stipulated that if the property were used for purposes other than those agreed upon, the property resolution would be terminated. Two similar cases occurred in Iquique and Colina.

Soto and Munoz have joined an initiative launched by other legislators last week to freeze all property transfers to the PAF category and are also drafting a bill to terminate the PAF law altogether, and to nullify property transactions made through it. They accuse the Armed Forces of using the PAF as a legal loophole with which to make illicit profits from property that "belongs to all Chileans." The Armed Forces, said Munoz, "act just like real estate dealers whose ultimate aim is profit, thickening its own assets and placing a cloak of suspicion on its transactions. Nobody can really say for sure in whose pockets the profits of these business dealings end up."

The Christian Democrat deputies and some from the PPD asked the Chamber of Deputies to create a special commission to investigate possible corrupt real estate dealings by the military. The Chamber will vote on the motion this week.

The Ministry of Defense has yet to make public its stance on the PAF controversy, even though it met with the National Properties Ministry a month ago to discuss a possible modification of the Public Assets Law.

The growing scandal surrounding the PAF system is compounded by contrasting interpretations of the original 1971 law, which established a 90-day period in which state property could be converted into PAF. But in 1988 the military regime legitimized the law for continued use without referring to the 90-day term. The National Properties Ministry has repeatedly protested the legitimacy of the transactions made after the original term, but to date the Comptroller General has ruled in favor of the military. The two ministries are now working on a drafting a clearer version of the law.

Defense Minister Raul Troncoso expressed displeasure with the media's insinuations that the military is deliberately stalling on drafting the new legislation. The law was used indiscriminately during the administration of Socialist president Salvador Allende (1970-73), so there can be no "bad intentions" attributed to the past military government of Augusto Pinochet, he said.

*

HEADLINE: CURRENT EVENTS BRIEFS

KEYWORDS: POLITICS; ECONOMY; INTERNATIONAL; ENVIRONMENT

SOURCE: EL MERCURIO

SOURCE: LA TERCERA

TEXT: Today's other headline stories in brief:

-- WORLD CUP CELEBRATION BRINGS DESTRUCTION.

Thousands of Chileans gathered yesterday in all parts of the country to celebrate the Chilean national soccer team's success in yesterday's World Cup game against Cameroon.

Chile's 1-1 draw was not spectacular, but it was enough to advance the team to the second round of the tournament. Chile plays Brazil on Saturday.

The celebrations had their cost, however, with destruction in Santiago reaching US\$51,000 and leaving 106 people arrested and 46 injured. Twenty-two uniformed police and 24 undercover police officers were injured. Property damage was also reported in Valparaiso and Concepcion, and 123 people were arrested and 20 injured in those regions.

Although city officials said there would be no celebrations at Plaza Italia, the traditional post-game gathering place in Santiago for fans, close to 12,000 hinchas crowded into the area after the game, blocking Alameda, Providencia and Vicuna Mackenna Avenues.

Metropolitan Region Governor Ernesto Velasco noted that 90 percent of those arrested in Santiago were between 15 and 19 years old, and four people were under 12. He called on parents to think about the kind of upbringing they are giving their children.

In related news, a group of Mapuche yesterday held a traditional ceremony called "nguillatun" in the Cerro Huelen (Santa Lucia) to send energy, strength and courage to Marcelo Salas, a top player on the Chilean team who has a strong Mapuche heritage. Just as the game began, each person participating in the ceremony received a leaf from the cinnamon tree- sacred to the Mapuche. They then began a dance, called "loncomeo," in which all the spectators participated as well.

This ceremony coincided with Huetrupantu, the Mapuche

New Year.

-- AIR QUALITY IMPROVES BUT ALERT REMAINS.

Santiago's eight air quality monitoring stations yesterday registered a slight improvement in air quality, but not enough to allow National Environmental Commission (Conama) officials to cancel the environmental alert scheduled for today.

The continued alert means that non-catalytic vehicles with license plates ending in 7,3,0 and 1 are prohibited from circulation and kindergarten, first and second grade classes may possibly be canceled. Conama announced the 48-hour alert Monday night because of a high pressure front which had settled over Santiago, making ventilation almost impossible.

A high concentration of microscopic particles (PM2.5) in the air was another reason for the alert. These particles are the most dangerous for people's health, says the Metropolitan Environmental Health Service (Sesma), because they are so small they are not only breathable, but can also enter the lung's bloodstream, altering defense mechanisms and causing respiratory infections.

In related news, The Los Angeles Environmental Agency yesterday approved Conama's new mechanism for predicting environmental emergencies 24 hours in advance. The system uses a mathematical formula which analyzes variables like meteorological forecasts, air quality monitoring stations, particulate concentrations and emissions.

Sesma Director Doctor Mauricio Ilabaca said both Sesma and Conama must now get the system legally approved, and within

one week it should be functioning.

-- DEPUTIES WANT MILITARY SERVICE REGULATED. After a year long investigation into the treatment received by Army recruits, a Chamber of Deputies committee alleged last weekend that Army conscripts are often abused and urged that mandatory military service be better regulated.

The committee confirmed 18 cases of deaths of conscripts between 1991 and 1997, most of which had been officially termed as suicides. According to information provided by the National Commission for the Rights of Youth (Codeju), 12 conscripts died the year 1996 alone. Codeju president Gabriel Pozo said there are a number of factors common to each of these deaths, which, contrary to reports submitted by the Defense Ministry and the Army, suggest that the young men did not take their own lives.

To better control possible abuse of conscripts, the Chamber committee recommended that psychological tests be made mandatory for all conscripts in order to detect possible problems that might arise as a result of the rigorous military regime, separation from family and the use of arms. It also urged the introduction of measures to improve and guarantee respect for conscripts' rights and asked the Supreme Court instruct military tribunals to conduct all forms of ballistic and forensic analysis as well as autopsies and psychological history reconstructions whenever a conscript dies in service.

Defense Minister Raul Troncoso acknowledged that there have been specific cases of conscript abuse, but denied the existence of any widespread problem.

-- TRILLIUM UPSET WITH GOVERNMENT DEMANDS.

Trillium CEO Robert Manne said Monday that his company was very disappointed by environmental guarantees demanded by the Chilean government last May 31 in their conditional approval of the Rio Condor project, most especially the creation of an insurance fund to assure the sustainability of the project for 110 years.

Manne said the insurance fund requirement is unprecedented, and that company lawyers will officially respond to the government's requirements within the next ten days.

Other demands by the government include limiting the specific yield per hectare and the creation of an auditing organization independent of both government and company influence.

Controversy has surrounded the Rio Condor project since its inception in 1994. The project plans to harvest 103,000 hectares of old growth lenga forests in the world's southernmost region. The project continues to be challenged in the Supreme Court by "green faction" members of the Chamber of Deputies.

-- CHILEAN SATELLITE LAUNCH GOES SOUR. Chile's second attempt to launch a satellite into space failed yesterday due to technical problems, and another attempt at liftoff has been scheduled for within the next two or three weeks.

The launching system of the Ukrainian space shuttle carrying Chile's "Fasat Bravo" satellite failed just minutes before take-off from the Russian spaceport - the same spaceport that launched Russia's Sputnik 1 satellite in the late 1950s.

Chile's first attempt at putting a satellite in space, the "Fasat Alfa," occurred in 1995, but was lost in space because of a systems failure.

*

HEADLINE: LINKING POVERTY AND THE WINTER DEATH RATE

Health Ministry Making Progress Against Killer Colds, But Poverty Also A Factor

KEYWORDS: HEALTH

SOURCE: LA NACION

TEXT: (Ed. Note: For the past four years the government has worked to create emergency health measures for Santiago residents who face daunting winter time health problems - flu and virus epidemics compounded by terrible air pollution.

In the interview that follows, Dr. Carlos Aranda, one of the designers of the government's emergency winter time health care plan, argues the merits of the government's effort. He also recognizes its limitations, saying poorly housed and poorly clad citizens die during the winter time at greater rates than the rest of the population. The interview was first published June 20).

Q: Is the government's special Winter Plan effective?

CA: It has been very effective. This plan began in 1994. Before, 1,000 children died of bronchopneumonia during the winter time, but today it's no more than 250.

Q: How many were dying during the winter?

CA: The figures would triple in the winter time. Seven hundred would die during the three winter months and the rest the balance of the year. But the proportion has diminished by 75

percent.

Q: What happened before the Winter Plan?

CA: Children would arrive at the emergency rooms and there wouldn't be any room for them. They couldn't be hospitalized because there simply weren't enough beds, so they'd be sent home with bronchopneumonia. One out of three would end up dying.

Q: How was this situation reversed?

CA: We came up with a system that increased doctors' visits and the capacity to hospitalize patients. This is what we call focusing resources. What we do is increase the amount of personnel, we have more hospital beds available and so forth. This is a concept that is new to public health around the world.

Q: And that doesn't interfere with public health system's lack of resources?

CA: There certainly is a health problem in Chile that has not been resolved. Among the causes of this are a lack of resources, lack of vision and lack of modernization of the sector. Public health has problems and the government has not taken any really clear position. But what we are doing is the best we can do, considering existing obstacles, and I believe it helps solve the problem.

Q: Is this the best solution or the least worse alternative?

CA: It is the best we can do. We have said that we will attend to all those patients in risk of dying. It's not easy because there are so many patients. We are working beyond our capacity. Although it's difficult and uncomfortable, we are saving children's

lives this way, and that did not occur before. Our message is to gather in the hospitals' hallways, group the children, keep them close to their mothers, but do not send them home because if we send them home then we won't attend to their needs and they will die.

Q: The viruses that have recently appeared are new or have always existed?

CA: They have always been around but we just didn't know about them. We now know in 24 hours if a child has a virus, and this information allows us to proceed in a different manner. Today we have more technology, better knowledge and better procedures.

Q: This means that children have always had viruses?

CA: They've always had respiratory viruses, but we didn't know about it before because we didn't give them the examinations necessary to detect it. It was believed that their colds were just caused by bacteria, and we'd fight them with antibiotics.

Q: What does the Winter Plan want to achieve?

CA: We don't want our children to die. This may mean that the doctor will say, "you may have to wait six hours, you may be uncomfortable, but you won't die." The idea is to improve on this, of course. Since there is a greater number of beds now, more people come to the hospital. Still, we have also created a problem because we tell doctors not to send their patients home. It's best to let them wait in the hallways if necessary because if they are sent home they will die. That is our priority.

Q: Is this year more critical than others?

CA: No. The worst was 1996 and ironically there were less protests that year than now. What has happened is that we have created higher expectations. Their children now have an option to live that did not exist before.

Q: Is Santiago's air pollution the main cause of respiratory illnesses?

CA: All contamination, inevitably, causes serious damage because it is something we should be able to control. But even more serious than pollution problem is the existence of poverty. When I mention poverty I'm referring to the cold that poorer people suffer in their homes, which do not have heating when the weather is zero degrees Celsius. Mortality is related to Santiago's drop in temperature each winter.

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HEADLINE: PROMOTING NATIVE FORESTS IN CHILE

Changing Decree Law 701 Will Be A Big Step Forward

KEYWORDS: POLITICS; ENVIRONMENT

SOURCE: LA NACION

TEXT: (Ed. note: The following is an op ed piece written by Eduardo Gonzalez, a journalist working with the Agriculture Ministry, published in La Nacion on June 9).

If we ask city dwellers what they understand 'native forest' to mean, many of them would say something like 'a group of trees,' without imagining everything that had to happen before this group of trees became what it is today, and what the benefits are that we receive from the native forest.

The formation of a forest is a process that takes nature years, even centuries of patient labor. The first vegetation that appears in a devoid area is lichen. After several generations, due to the decomposition of dying vegetation, the soil slowly begins acquiring better conditions, allowing it to support larger vegetation, like trees.

Forests have a number of important functions: they purify the air, thanks to the consumption of hydrocarbons and the emission of oxygen; they protect the soil from erosion produced by rains; they act as temperature moderators and climate regulators; they even provide food for grazing animals, without counting the production of edible mushrooms, essential oils and, of course, wood.

All of these reasons show how important the reform of Decree Law 701 is. This decree, originally put forth in 1974 with the purpose of improving forest plantations, was finally modified by Congress to benefit land owners, to help them recuperate degraded soil.

With the new DL 701 the hope is to reforest two million hectares which are in the hands of small farmers, with a 90 percent subsidy for the first 15 hectares and a 75 percent subsidy for the remaining land, besides the concession of some tax exemptions given for some forested land.

The benefits of this legislation are evident: the planting of forests would be almost free for farmers, who could make use of useless land, and could initiate forestry activities over the short term. While some do not share this opinion, we see a promising

future for Chile's native forest. The necessary instruments, like the DL 701, are in hand. The government only needs to make use of them.

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HEADLINE: BUSINESS BRIEFS

KEYWORDS: ECONOMY; INTERNATIONAL; NAFTA

SOURCE: EL MERCURIO

SOURCE: EL DIARIO

TEXT: Today's top business stories:

-- COPPER AND OTHER EXPORTS OFF SHARPLY IN MAY. The Asian economic crisis is taking its toll of all of Chile's economy, with copper exports among those sectors feeling the impact most.

A Central Bank report released yesterday said the value of Chile's total exports was off 11 percent in May, when compared to May of 1997. Copper exports were off 28 percent, while fishmeal exports were down sharply by 43 percent, wood products off by 49 percent and cellulose down by 17 percent.

May's trade balance was a negative US\$245 million, bringing the year to date deficit to US\$908 million.

The economy grew at a rate of 7.3 percent through the first quarter of 1998, said the Central Bank, but slacked off a bit in April, which registered growth of only 6.7 percent.

International net reserves in Chile fell by US\$773 million, the Central Bank added, bringing total reserves to US\$16.9 billion.

-- GOVERNMENT TO CUT BUDGET. President Frei will meet with his cabinet today to make budget cuts in response to the deepening Asian crisis. So far this year the Concertacion

government has cut US\$490 million from original budget proposals approved in October, 1997.

Although the Frei government is aiming to cut the budget by about one percent of GDP, it has vowed that cuts will not be made in its social spending programs, which account for 70 percent of the government's US\$18 billion budget.

Today's move by President Frei follows a US\$1 billion budget cut announced by his counterpart in Argentina, Carlos Menem. Both country's actions are a direct result of the recent Yen devaluation and the news that Japan is now officially in recession.

-- ENERSIS TO INVEST US\$2 BILLION IN 1998. Chilean power company Enersis will invest between US\$1.5 and 2 billion by the end of the year, said Head of Corporate Matters Jaime Ale Tuesday. The money will be used to continue Enersis' Latin American expansion program.

The expansion, Ale said, will be financed from Enersis' coffers and profits generated by Enersis subsidiaries. Funds will also be obtained via a share issue due to take place soon. However, before this can be done the company will need to seek permission from the Securities and Insurance Superintendency (SVS).

-- NEW PROMOTIONAL STRATEGY FOR FRUIT. A bidding will be held in London this week to select an advertising agency to promote Chilean fruit in Europe. Twenty three companies have so far been invited to participate in the bidding.

Last month the various companies made their initial presentations to the Exporters Association, ProChile and the

growers organization Fedefruta. These included two European consulting agencies and six importers of Chilean fruit.

--IPSA FALLS TO 1995 LEVELS. The top forty shares listed on the Santiago Share Index (IPSA) registered a 1.2 percent fall Monday, dropping to 83.22 points, its lowest value since March 1995. The poor results are attributed to the Asian crisis, compounded by last week's announcement that Japan is officially in recession.

The fall comes despite President Frei's announcement of a series of tax incentives designed to reactivate the Santiago Stock Exchange two weeks ago. Stock Market analysts say the falls clearly showed Frei's measures are insufficient to reactivate the Santiago Stock Exchange, which has fallen consistently since April when the IPSA topped out at 105.61.

-- CENTRAL BANK AUTHORIZES EDUCATION ACCOUNTS. The Central Bank has authorized banks and other financial institutions to offer educational savings accounts to the general public to promote savings for university education.

President Frei first announced the initiative in his State of the Nation address on May 21. The bank's authorization is a prerequisite needed before the bill can be sent to the country's parliament for ratification.

-- CHILE BEGINS TALKS WITH EU. A government delegation headed by Foreign Relations Undersecretary Mario Fernandez is in Europe preparing the ground for a possible trade accord between Chile and the European Union (EU). The delegation has already met with government officials from Switzerland and will now

head to Germany and then Italy for further talks.

Fernandez said he was confident EU commissioners will soon petition the Council of Ministers to allow official talks to take place. The EU recently approved the initiation for talks with Mexico.

-- ECOGAS WINS TEMUCO CONCESSION. Natural gas supplier Ecogas won a government concession to supply the city of Temuco (Region IX). The company will now set about constructing the gas pipeline network needed to supply the city's residential and industrial needs.

The company will invest a total of US\$12.5 million in the project, slated to be completed within the next three years. Some industries, however, will receive gas as early as the middle of next year.

-- NUMBER OF SUPERMARKETS TO RISE 5 PERCENT. The number of supermarkets will rise 5.2 percent in the regions over the course of this year, says a recent study by the Chilean Supermarket Association (Asach). Currently there are 713 supermarkets in the regions, a figure that will rise to 750 by the end of 1998.

The study showed that 70 percent of all supermarkets are located in the regions, whose combined sales account for 50.5 percent of all sales in the sector. Each supermarket caters to an average of 21,000 Chileans, a figure that could fall to 10,000 in ten years if present growth rates continue.

The growth in supermarkets has been matched by a national growth in sales, the report says. Last week Asach reported May

sales have increased 7.7 percent over the same month last year.

-- CHILEAN COMPANIES BID FOR MENDOZA ELECTRICITY.

Three Chilean companies today made bids for 51 percent of the publicly owned Mendoza Electricity Distributor (Edemsa). The companies, part of rival consortiums, are Enersis, CGE, and Gener-Saesa.

Edemsa said bids of up to US\$300 million were received, and came from a total of ten consortiums. The estimated price for the controlling stake was put between US\$110 and US\$120 million prior to Monday's events. Edemsa is based in the urban district of Mendoza and has a client base of 293,000. Demand for electricity in the region is expected to grow six percent this year and next. Once the winner is announced, the change in control will take place in early August.

The privatization of Edemsa by the Mendoza authorities follows last month's sale of its water treatment company in which Chile's Enersis also took part. Edemsa's sale is part of a concerted privatization effort by the Argentine government.

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-- BASIC ECONOMIC INDICATORS :

Dollar's value: Observed, 455.65; Accord, 472.24

Interbank, 456.00

Today's Unidad de Fomento, UF: \$14,327.86

Copper Price: Up 0.70% to US\$0.7554

Stock Ex===== ATTACHMENT 1 =====
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