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TO: Daniel C. Montoya (Daniel C. Montoya@eop [UNKNOWN])
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TEXT:
KAISER DAILY HIV/AIDS REPORT

A news service of The Henry J. Kaiser Family Foundation

http://report.kff.org/aidshiv/

Tuesday, August 25, 1998

SCIENCE & MEDICINE

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#1 SPERMICIDE STUDY: Ethical Concerns Raised

#2 HIV TRANSMISSION: Risk Of Vertical Transmission Pegged At

5%

ACROSS THE NATION

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#3 FLORIDA: Federal Grants To Expand Pediatric AIDS Program

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#5 AUSTRALIA: Teen Campaigns For Condom Machines In School

#6 RUSSIA: Efforts To Curb AIDS Epidemic Hindered By Mafia

MARK YOUR CALENDAR

The Daily Report will not publish the week of Aug. 31. We will return Sept. 8. In the meantime, check out our word-searchable archive for any story you may have missed. Click here to link directly to the archive. Or type http://db.cloakroom.com/hivaids/archive.htm/HIV/AIDS directly onto your Web browser.

SCIENCE & MEDICINE

#1 SPERMICIDE STUDY: ETHICAL CONCERNS RAISED

The three-year, $4.7 million study involving 1,800 women in 11 cities that will test "over-the-counter spermicides as a primary method of contraception for women" is "complicated by technical and ethical questions," the San Antonio Express-News reports. At a Food and Drug Administration advisory panel meeting on spermicides held two years ago, "ethical concerns were raised over requiring women in the study to use only spermicides." It was argued that "[s]ince so few women currently use spermicides alone, it could require some to give up at least a component of their regular contraceptive method." An FDA spokesperson "who asked not to be identified," said, "One of the challenges of spermicides is that nobody really recommends they be used alone. So determining their effectiveness beyond a condom, or beyond whatever additional birth control method you're trying to measure, is difficult." The Institutional Review Board at the University of Texas Health Science Center has also raised concerns, despite its approval of San Antonio's participation in the study. Dr. Robert Schenken, professor of obstetrics and gynecology with the center, said study volunteers will be given "'morning-after' pills on request as a back-up method" and "will not be excluded if their partner wears a condom." In addition, they "will be told that studies indicate on average that 17% of women using spermicides alone will become pregnant within six months." Schenken said, "The fact is though that we don't know how effective it is. There are some studies out there that show with conscientious use of the product in every act of intercourse, the efficacy can be very good -- almost on par with other contraceptives." He said his center's clinic "will not provide abortions to volunteers who become pregnant ... although that will remain an option for them elsewhere." Cindy Pearson of the National Women's Health Network in Washington, D.C., said, "So is it ethically wrong to invite women to be in a study which by design says this is your only contraceptive? No. Because there are some women who make that choice" (Finley, San Antonio Express-News, 8/21).

#2 HIV TRANSMISSION: RISK OF VERTICAL TRANSMISSION PEGGED AT 5%

French researchers have determined that the long-term risk of HIV transmission from seropositive mothers to breast feeding infants is "substantial" -- approximately 5% of infants in developing countries with HIV-positive women are infected. In a study in the Lancet, lead researcher Valeriane Leroy and her team looked at data from eight studies, four from developed countries and four from undeveloped countries, that "followed infants born to HIV-1 positive women." Reuters/JAMA reports the investigators found that "[l]ess than 5% of the 2,807 children ... from industrialized countries were breast fed ... and no HIV-1 infection was diagnosed." Conversely, in undeveloped countries, "breast feeding was the norm," and "late postnatal transmission [of HIV] occurred in 49 (5%) of 902 children." Calculating that the risk of HIV infection via breast milk was 3.2 per 100 child-years of breast feeding, they estimated that "if breast feeding had been halted by four months, no HIV-1 transmissions would have occurred." If breast feeding had been halted at six months, "only three HIV-1 transmissions would have occurred." However, forgoing breast feeding in undeveloped countries can raise many problems due to unaffordability of formula and a lack of potable water. The study concludes, "the risk of acquisition of HIV-1 through long-term breast feeding may outweigh its benefits in populations with high prevalences" (Reuters/JAMA, 8/21). The research team notes that "[a]voidance of breast feeding by HIV-1 infected women is recommended [only] if safe and affordable alternatives are available, a practice reinforced by the World Health Organization, UNICEF and UNAIDS (Reuters/Pathfinder, 8/21).

ACROSS THE NATION

#3 FLORIDA: FEDERAL GRANTS TO EXPAND PEDIATRIC AIDS PROGRAM

The University of South Florida College of Public Health will receive $880,000 in federal grant money for 1998-99 to expand its Tampa Bay Pediatric AIDS Project to three additional counties and "extend [the program's] medical and social services," the Tampa Bay Business Journal reports. USF can then apply to renew the federal grants for "a minimum of $1.14 million in 1999-2000 and $1.3 million in 2000-01." According to principal investigator and USF public health professor Jay Wolfson, the pediatric program supplies "a broad scope of community-based, case-managed services to families -- mostly to kids, moms and adolescents." It received $750,000 in Ryan White Title IV funding last year to expand to three counties. The program began five years ago with service to two counties. Department of Health and Human Services Secretary Donna Shalala said the federal grants, announced August 7 and totalling $17.5 million (see Daily Report, 8/10), aim to "address HIV/AIDS in underserved areas, and racial and ethnic minority communities, providing critical health and dental services, support services and access to research opportunities." Elsewhere in Florida, the University of Florida received a first-time Title IV grant of $242,194, and HIV/AIDS dental reimbursement grants went to the University of Miami/Jackson Memorial Hospital ($251,882), the Dade County Dental Research Clinic ($16,543) and the University of Florida School of Dentistry ($47,287). The Business Journal reports that the Tampa Bay area "has one of the highest pediatric HIV infection rates in the United States" (Shepherd, Tampa Bay Business Journal, 8/24).

#4 TEXAS: AIDS OUTREACH CENTER STRIVES TO REACH NEW AT-RISK POPULATIONS

Fort Worth's AIDS Outreach Center is "mobiliz[ing] to handle the new at-risk generation" of individuals with HIV/AIDS, the Ft. Worth Star-Telegram reports. Interim Executive Director Mike McKay, who is also the center's director of education and public policy, "said he is prepared to take an in-your-face approach, laced with the unvarnished truth about sex and HIV, to reach at-risk people." He said, "Ten years ago, people were coming into the AIDS Outreach Center basically to die. AIDS was a death sentence and our job was to hold their hands and try and see them through that death process." Now, with life-prolonging AIDS drugs available, the center, open since 1988, "helps people live." The Star-Telegram reports that the center's client base "is a mix of old and young, black and white, single and married, professional and blue-collar, homosexual and heterosexual." The majority of clients earn under $10,000 a year; 47% identify themselves as heterosexual while 43% are homosexual, according to McKay. The revised outreach strategy will attempt to reach the newly emerging populations of HIV-positive individuals in part through direct mailings to African-Americans. "Victims of HIV and AIDS are also getting younger, and the disease appears to be out of control in the African-American community," McKay said. Last year, the AIDS Outreach Center educated 32,000 people "about the HIV epidemic" through visits to prisons, nursing homes, health fairs and elementary schools. The group also provides legal assistance to clients on issues ranging from civil rights to confidentiality and adoption. The Ft. Worth Star-Telegram reports that representatives of the AIDS Outreach Center "were selected last month to serve on the governing board of AIDS Action." The appointment serves as "evidence" of the "center's efforts to keep up with the wave of change among its clients" (Craig, Ft. Worth Star-Telegram, 8/23). The AIDS Outreach Center is located at 801 W. Cannon Ave., Fort Worth, TX. To contact them call (817) 335-1994.

GLOBAL CHALLENGES

#5 AUSTRALIA: TEEN CAMPAIGNS FOR CONDOM MACHINES IN SCHOOL

The town of Moe in Gippsland, Australia, is divided over 15-year-old Leigh Gatt's request for condom vending machines in his high school. The Australian Herald Sun reports that surveys in the community show that over 90% of students and more than 60% of parents support the idea of putting the coin machines in the "Year 11 and 12 toilets." But despite the community's support, national Education Minister Phil Gude "backs the policy banning the machines from state schools." In addition, a group of "conservative parents have ... threatened to remove their children from the Gippsland school if the machines appeared."

Gatt, who has "vow[ed] to continue his campaign," said, "People know that kids in Year 8 are already buying condoms at local shops. But there are a lot kids who are too shy to buy them at a shop. If condoms were available at school, it would encourage safe sex." School Council President Ron Boskma "said the issue was discussed at meetings for several months" but that "the idea was dropped because the school was not prepared to become a trailblazer" (Australian Herald Sun, 8/24).

#6 RUSSIA: EFFORTS TO CURB AIDS EPIDEMIC HINDERED BY MAFIA

"The spread of Russia's mafia during the nation's transition from state socialism has been a major factor in the spread of AIDS," said Elena Pyroyshkina, Moscow's program director of AIDS InfoShare, in a presentation this summer at the 12th World AIDS Conference. Vaccine Weekly reports that Pyroyshkina said the "Russian Mafia" disrupts AIDS prevention and education efforts because it perceives such efforts will interfere with the drug trade. She charged that the "crime bosses have gone so far as to demand lists of infected individuals." The Russian government, meanwhile, "turns a blind eye" toward both organized-crime activities and AIDS prevention, she said. Non-government organizations are therefore on their own to fight the epidemic, but their numbers are few since "NGOs were not possible in the USSR;" the first one came about in 1989. She noted that in the past seven years, 50 AIDS organizations have developed throughout the country and that while "this number marks significant progress," the organizations must work hard to establish grass roots influence and "attract the attention of policymakers."

PRE- AND POST-USSR COLLAPSE

Although the collapse of the Soviet Union coincided with increased public awareness of HIV, the health care system was left without an organizational structure to combat the epidemic, Pyroyshkina said. Under the Soviet state, the government treated HIV as a "political and medical problem"; groups such as surgeons, pilots and sailors were required to routinely undergo testing at AIDS clinics. Pyroyshkina said, "In this manner, all responsibility was taken from the people, along with many of their rights -- those who were found to be infected would be identified by the state, and the rest of the population could be sure that there was no danger of infection among them." Under this policy, the government controlled the epidemic in such a way that there was little need to educate the population about the virus. Under the transition to capitalism, however, Pyroyshkina said, "neither care nor patients' rights have improved in an environment where patients lack assurances of confidentiality and do not have a voice in their testing or treatment" (Dingman, Vaccine Weekly, 8/24). Click here to read past Daily Report coverage of HIV/AIDS in Russia.

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TO: Doris O. Matsui (Doris O. Matsui@eop [UNKNOWN])
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TEXT:
Amid reports that Russia's central bank has stopped currency trading for the second day in a row, foreign media analysts expressed growing alarm that Russia's free market reforms would be scrapped and hardliners would gain more political power as the situation grew more chaotic. With President Clinton scheduled to depart on Monday for his summit with President Yeltsin, most analysts called on the West not to abandon Russia.

LOSS OF MARKET REFORMS/HARDLINERS COMING BACK?--Pundits in Britain, Germany, Spain and Japan worried that Russia's laboriously built reforms toward a market economy would be swept away by the current economic and political crisis. BBC World Service said: "There are clear signs of a retreat from free market reform and a drift back to...central planning and state control. These might well help Mr. Chernomyrdin form a government of national unity by attracting the support of the communists, but they will not reassure foreign investors and creditors who are now counting their losses in billions of dollars." Right-of-center Frankfurther Allgemeine judged: "It is unprecedented and worrying that the views of communists are almost congruent with the views of financial oligarchs.... What is even more alarming for Western observers are attempts--and not only by the communists--to distract attention from domestic problems by advocating an aggressive national patriotism and by blaming the West...and the IMF...for the financial misery of the country." Paris's right-of-center Le Figaro held that "if one day rioters head to the Kremlin," they would acclaim former general Alexander Lebed, who "symbolizes the fantasies of Russians who are convinced that the country can only be run by a strong power."

THE WEST MUST HELP--Acknowledging that "Russia is not in the technical sense a critical part of the world's economy," London's liberal Guardian argued nevertheless that "if another large segment of humanity were to pass into economic darkness, the sense that things are out of control would massively feed the panic surges which can have such a devastating effect on international economic life." Munich's centrist Sueddeutsche Zeitung urged: "Even if Clinton and Kohl's power is vacillating, they and their colleagues must set up a consortium for Russia, since the World Bank and the IMF no longer have the authority to force essential moves with their funds."

CLINTON/YELTSIN SUMMIT: Analysts in France, Japan and South Korea did not hold out great hope for the meeting. Seoul's independent Hankyoreh Shinmun concluded: "The upcoming Clinton-Yeltsin summit won't find a real solution for Russia, mainly because any workable solution would require enormous political assets at home from both presidents, which neither of them currently has at this point. There also is recognition on the part of the U.S. that Russia has no ability to make an effective use of the funds coming in from abroad. The absence of Yeltsin's political leadership is obviously making the situation worse."

BRIEFS

-- Iraq: Ritter Resigns From UNSCOM

-- Lockerbie: Will West's 'Steadfastness' Pay Off?

-- Burma: 'Foreign Diplomats Should Respect Code Of Conduct'

EDITORS: Kathleen J. Brahney, Bill Richey and Gail Hamer Burke

RUSSIA: LOSS OF MARKET REFORMS, HARDLINERS COMING BACK?

RUSSIA: "To Forsake Ruble Is Inadmissible"

Dmitriy Dokuchayev stated on page one of reformist Izvestia (8/28): "For Chernomyrdin, even though he is still an acting premier and has his hands full these days, to forsake the ruble is inadmissible and irresponsible."

"Power Crisis"

Vasily Golubev opined in centrist Nezavisimaya Gazeta (8/28): "The authorities, through their stupid moves and statements over the past few weeks, have done what the opposition could not have done on its own. They have increased its social base in time for parliamentary elections, whether early or regular. The opposition cannot miss this chance. Otherwise, that would be the end of it."

"Joint Program"

Reformist Russkiy Telegraf (8/28) commented editorially on an economic statement drafted by a tripartite commission that includes representatives of the Duma, the Federation Council and the government: "It is an attempt to adapt the existing system of state capitalism to possible social problems, while maintaining its basic principles.... The document's big virtue is that it aims at retaining the foundation of a market economy built in the reform years."

"Nobody Is Interested"

Svetlana Lolayeva contended in reformist Vremya-MN (8/28): "Nobody seems to be interested in what is written in the joint economic memorandum by the Duma and the government. It is a disposable paper which, after Chernomyrdin uses it as 'hard evidence' of his willingness to listen to parliament, will be shelved for good. The funny thing is that everybody knows that."

BRITAIN: "Clear Signs Of A Retreat From Free Market Reform"

BBC Radio's World Service commented (8/28): "These are grim, possibly dangerous times, in Russia. There is still no word from Mr. Chernomyrdin on which direction the country is to take. There are clear signs of a retreat from free market reform and a drift back to the economic management methods of central planning and state control. These might well help Mr. Chernomyrdin form a government of national unity by attracting the support of the communists, but they will not reassure foreign investors and creditors who are now counting their losses in billions of dollars."

"Washington Rudderless As Ruble Tumbles"

The conservative Daily Telegraph commented from Washington (8/28): "With Russia imploding, Japan in economic meltdown, Iraq rampantly defiant, and the Middle East peace process apparently adrift, allies and foes are asking, 'Where's America?' In terms of clear, effective leadership, the world's only superpower is nowhere to be seen.... A worry about appearances erodes Mr. Clinton's ability to swing public opinion behind decisive action abroad. It is harder to win support for a fight against terrorism when some people suspect that the president is really fighting Kenneth Starr, officials privately concede. But the coincidence of calamity at home and abroad is also, say many, merely that--a deeply unfortunate coincidence.... It is assumed in Washington that Mr. Clinton's domestic travails have exacerbated his tendency to conduct foreign policy on an ad-hoc basis, without clear goals or consistent effort to achieve them."

"Rescuing Russia"

The liberal Guardian had this lead editorial (8/28): "The scale of the economic and political disaster which threatens Russia is such that it demands an unprecedented effort by the international community. At stake may well be not only Russia's future stability, but the global economy itself, for a crash in Russia can hardly be confined in its effects to that country alone. It is true that Russia is not in the technical sense a critical part of the world economy. But if another large segment of humanity were to pass into economic darkness, the sense that things are out of control would massively feed the panic surges which can have such a devastating effect on international economic life. That Russia has in effect defaulted on its debts makes this even more likely."

FRANCE: "Lebed's Time"

Charles Lambroschini concluded in right-of-center Le Figaro (8/28): "Yeltsin is politically finished.... Chernomyrdin and Lebed have decided to make common cause with each other.... If one day rioters head to the Kremlin, they will have no mercy for Chernomyrdin. This communist apparatchik, who has become a rich capitalist, never followed any other policy except opposition to progress. For having planned reforms he has never achieved, he is one of the first responsible for today's disaster.
On the other hand, rioters probably would acclaim Lebed. The charismatic general (Lebed) symbolizes the fantasies of the Russians who are convinced that the country can only be run by a strong power."

"For Clinton Administration, Ball Is In Russians' Court"

Washington correspondent Jean-Marie Macabrey and Blanca Riemer wrote in centrist La Tribune (8/28): "Although Bill Clinton is going to Moscow next week, the Russian crisis has not provoked reactions in Washington.... Washington's discreet attitude can be explained by the fact that the administration no longer knows what to do to help the Kremlin and thinks that it is the Russians' turn to play.... The Americans are not, of course, completely inactive. Behind the scenes, pieces of advice are given to Russian leaders about the debt restructuring plan.... The Clinton administration policy about Russia has provoked criticism, and people fear the September 1-3 meeting may lead to no result at all."

"Lebed Not Likely To Accept Second-Class Role"

About the possibility that Lebed may be called to power, Laure Mandeville judged in right-of-center Le Figaro (8/28): "Lebed is not likely to accept a second-class role because he is in an excellent position for the next presidential election.... Is it so certain that Chernomyrdin wants a such an embarrassing partner?"

GERMANY: "A Firewall For Russia"

Josef Joffe had this to say in an editorial in centrist Sueddeutsche Zeitung of Munich (8/28): "Can the West build a state for the Russians? No, it cannot. But it can and must do simply things now. Even if Clinton and Kohl's power is vacillating, they and their colleagues must set up a consortium for Russia, since the World Bank and the IMF no longer have the authority to force essential moves with their funds. This emergency fund must extinguish the looming political danger, i.e. it must stop the total loss of confidence among the small savers who are desperately lining up in front of banks to get their money back. This assistance should serve only one goal: to guarantee their accounts to prevent these millions of voters to defect to demagogues such as the communists, since the only thing that comes to their mind to resolve the crisis is the nationalization of industries and the printing of more money.... Can the West drop Russia? Maybe, since Russia is not as integrated into the world economy as Japan. Also, even the wildest men such as Lebed and the communists cannot close their eyes to reality.

"They can print money but a few months later the people will realize who deceived them.... It is risky to bet on Russia's self-healing forces. It would be wiser to pay the insurance."

"Russian Setback"

Werner Adam mused in a front-page editorial in right-of-center Frankfurter Allgemeine (8/28): "What influential circles in both chambers of parliament and supporters of Premier Chernomyrdin have conceived to resolve the looming financial insolvency of the state corresponds to views of which we thought that they were buried with the collapse of communism.... It is unprecedented and worrying that the views of communists are almost congruent with the views of financial oligarchs.... What is even more alarming for Western observers are attempts--and not only by the communists--to distract attention from domestic problems by advocating an aggressive national patriotism and by blaming the West...and the IMF...for the financial misery of the country. A development is looming that must be worrying Russia's neighbors."

"Russia At An Abyss"

Ralf Neubauer argued in a front-page editorial in right-of-center Die Welt of Berlin (8/28): "With the replacement of courageous reformer Sergei Kiriyenko, Boris Yeltsin proved that he feels more obliged to the powerful financial oligarchs and their privileges than to the general well-being. We must fear that all possible successors to Yeltsin will make arrangements with the profiteers in the veil of political power. Yesterday's anti-crisis program clearly shows how far Russia has in the meantime left the path of virtue. Even if it is implemented in a mitigated form, the economic and financial crisis is likely to escalate even more. With or without Yeltsin, the country is unstoppably stumbling to an abyss."

ITALY: "Nightmare Of A World Crisis"

Economic analyst Federico Rampini stressed in left-leaning, influential La Repubblica (8/28): "What is most scary is not the spiral of panic related to the declining markets, but the impression that political answers are either inadequate or inconsistent. The series of mistakes made by the IMF over the last year, Clinton's evident weakness, the silence of Germany in this pre-electoral phase, the eternal lack of European leadership: these are the factors that create fear."

"Unbelievable Chain Of Mistakes"

Respected economic analyst Mario Deaglio concluded in influential La Stampa (8/28): "In this chaotic situation, two lame-duck presidents are scheduled to meet in Moscow next week. The meeting risks becoming a melancholic farewell between two leaders who, in reality, may no longer have anything to say to each other. In the meantime, the fury of the storm--which could have been at least curbed with more attention on their part--is making all weak international currencies vacillate."

HUNGARY: "The Bear's Shadow"

Influential Magyar Hirlap carried this by contributor Peter Szakonyi (8/28): "The most importan foreign institutional investors in the Budapest stock market moved fast and withdrew their money from the Hungarian market as fast as they could. When they will...realize the differences between the countries of the former Eastern bloc is impossible to tell at this moment. The only positive feature of the Russian crisis is that it is still possible...to withdraw money from the Hungarian market.... This is a bitter consolation, but in other countries of the Eastern region it is almost impossible."

POLAND: "Who Governs In Russia?"

Centrist Rzeczpospolita had this comment by Piotr Jendroszczyk (8/28): "To say that the Yeltsin era is over seems to be premature. Although the communists are not surrendering and calling for Yelstin's dismissal, their maneuvers hint that part of the reason for this [reaction] is that they are ready for a political compromise with the president.... Forcing Yelstin to immediately abdicate would rid Russia of a man who--whatever else can be said of him--guarantees the continuation of democratic reforms.

And this is vital for the West, whose further assistance Russia intends to seek as demonstrated by Chernomyrdin's meeting with the head of the IMF Michel Camdessus.... All scenarios for the future, however, may turn out to be mere fantasy once the streets of Russia's cities are teeming with millions of desperate and hungry citizens whose legendary patience must also have limits."

SPAIN: "Soviet Agony"

Conservative ABC noted (8/28): "There cannot be anything worse right now for the Russian people now than to see communists and ultranationalists trying to grab power again.... The failure of Russia to adopt a market economy comes from its twisted Soviet roots, as if they were trying to travel on a highway with a bicycle.... The fall of the Soviet empire has not finished and will not end until this methodology comes to an end. For now, we witness the agony, the death rattles of its economic system."

"The Jolt Arrives"

Liberal El Pais opined (8/28): "The gravity of the financial crisis shows no sign of letting up. Day after day, the financial markets, particularly the stock markets, show evidence of the deterioration of...Japan, Russia, and Latin America.... It is up to the big [powers], the United States in particular...to show leadership.... Now, there should be an intervention with the Japanese government to demand decisions that will avoid the conversion of this prolonged market adjustment into a global financial crisis."

SWEDEN: "Russia's Financial Crisis"

Independent, liberal Dagens Nyheter (8/28) had this editorial: "The Russian economy now seems on its way toward another financial meltdown. The ruble is in a free fall...and what is the reason behind this mess? It is not because Russia has changed to a market economy. On the contrary, the transformation has failed. The country certainly has an impressive technological know-how, although the greater part of this capability has been absorbed by an unproductive military establishment. The underlying problem is that the economic dictatorship of socialism never managed to develop working institutions. There was knowledge, but no economic organization. Those who still call themselves socialists have got another chance to learn something."

CHINA: "Ruble Plummets Wildly; Russians Amidst Fear And Panic"

Li Qingyi wrote in official Chinese Youth Party China Youth Daily (Zhongguo Qingnianbao) (8/28): "Experts predict that prices of all types of commodities in Russia will rise by 20 per cent by the end of this year. Just as with the previous currency reforms, there is now a surging rush for goods in Moscow."

JAPAN: "President's Authority In Eclipse"

Liberal Mainichi Shimbun's Moscow correspondent Ishigo wrote (8/28): "The liberal-minded reform policy set by former deputy prime ministers Gaidal and Chubais and outgoing premier Kiriyenko will be suspended completely. There is a growing possibility that the Yeltsin

government's goal of Russia becoming a full member of the international economy will be postponed. In ordinary times, President Yeltsin might have taken drastic actions to prevent a departure from the reform line.

However, he has no resources available amidst the current financial crisis, which may cause an economic meltdown. In order to avoid further panic and to restore people's confidence in politics, Yeltsin is being forced to strike a deal to form a national unity government for mere form's shake."

"U.S. Perplexed With Russia's Economic Confusion"

Conservative Sankei Shimbun's Washington correspondent Maeda noted: "How to rescue Russia's crumbling economy will be the first and foremost concern during the upcoming summit between Clinton and Yeltsin. The focus will be on whether President Clinton will continue to support Russia's reform efforts. Doubts have been expressed in Washington over extension of further financial assistance to the russian economy, which seems to be in chronic crisis. At a time when both leaders are facing erosion of their political footholds domestically, it is very unlikely that they can change policies or strike deals that will shape a new bilateral relationship for the 21st century."

SOUTH KOREA: "U.S. Urges Russia's Reform But Balks Over Assistance"

Independent Hankyoreh Shinmun (8/28) commented: "Can the United States save Russia?... Though the two countries' relations have largely been characterized as those of benefactor and beneficiary, never has Russia needed U.S. help more urgently than now. With a Clinton-Yeltsin summit approaching now, Russia seems to have greater expectations for U.S. assistance; nevertheless, U.S. reaction remains decidedly cold so far....

Washington's basic position

remains that Russia should continue its reforms to be able to restore trust in the market.... The upcoming Clinton-Yeltsin summit will not find a real solution for Russia, mainly because any workable solution would require enormous political assets at home from both presidents, which neither of them currently has at this point. There also is recognition on the part of the United States that Russia has no ability to make effective use of the funds coming in from abroad. The absence of Yeltsin's political leadership is obviously making the situation worse."

"Russia Virtually Bankrupt"

Moderate Hankook Ilbo (8/28) commented: "The earthquake coming from Russia is shaking up the entire world's financial markets. What's more serious is that the phenomenon is just beginning.... It certainly looks as if Russia's declaration of a moratorium--on dollar-denominated debts this time--is just a moment away, leaving the impression that the country is very close to a total default.... To make up the loss in Russia, Western banks will soon turn to international markets trying to find funds there, a prospect which will drastically destablize the world's interest rates. In this scenario, the world's stock markets face a collapse in the end."

THAILAND: "An Unstable Russia Affects World Peace"

The independent, English-language Nation had this editorial (8/28): "Given its superpower status, Russia cannot remain as an economically sick nation because it will have far-reaching ramifications for global peace and security. A Russia that is weak will break further away from the West and Europe, as exemplified by Moscow's reaction toward the U.S. bombings of Sudan and Afghanistan. The faster Russia recovers from the crisis, the better it is for all of us. The euphoria of the post-Cold War era, which promised a harmonious East-West relationship, has all but evaporated. Without ideological differences as in the past, economic insecurity and disparity between Russia and the West is potentially more destabilizing than anything we have seen in the past. This is because Russia has enough nuclear bombs to blow up the planet."

BRIEFS

IRAQ: RITTER RESIGNS FROM UNSCOM

BRITAIN: "Ultimate Weapon"

The independent Financial Times opined (8/28): "The resignation of Scott Ritter from the UN inspection team in Iraq suggests the West is approaching a dangerous impasse in its efforts to eradicate weapons of mass destruction.... Earlier this year the United States threatened to destroy suspected Iraqi sites with missiles. But its recent attack on a pharmaceutical factory in Sudan has done nothing to encourage support for such a policy. The United States may have had plausible evidence that the Khartoum factory was making a component for chemical weapons. But it does not seem to have shared the data with its allies. Consequently, there are now widespread doubts that it hit the right target.

"If the United States hopes to make credible threats of a strike against

Iraq in future, it must as a minimum take its allies much more into its confidence. But missile strikes can only be a very last resort, as there is little evidence that they are very effective in destroying such weapons.

Analysis by French experts of claims that Iraq has armed weapons with lethal gas may harden world opinion next month before the next review of the sanctions regime. If so, very tough conditions might be imposed for a further limited lifting of sanctions. No one should be optimistic that Mr. Saddam would comply, but the options short of a bloodbath are sadly limited."

"Ritter Is Right'

The conservative Times maintained (8/28): "In an era when principled resignation on any issue appears to have become a rarity, Scott Ritter's decision to leave his post with UNSCOM is exceptional.... The most shameful aspect of this whole affair is that it has not been Saddam Hussein but Kofi Annan and Madeleine Albright whose actions have forced Mr. Ritter to tender his resignation.... The State Department has attempted, over the past six months, to dissuade UNSCOM from entering sensitive sites within Iraq for fear of further confrontation. It has done Saddam's work for him.... The United States has exposed itself to the charge of duplicity.... It has announced a long term war against terrorism. Yet its resolve is now weakening against states intent on the proliferation of weapons of mass destruction--not only Iraq but North Korea as well. Ms. Albright should act upon Mr. Ritter's warning that the 'illusion of arms control is more dangerous than no arms control at all.'"

GERMANY: "Rambo's Farewell"

Jochen Siemens noted in an editorial in left-of-center Frankfurter Rundschau (8/28), "Ritter's resignation and the latest revelations in the Washington Post signal that the U.S. attitude towards Iraq is not as rigid as it may have appeared. The United States, such as the other major powers, are trying to play down the latest Iraq crisis. The UN security Council answered the latest obstructions of UN weapons inspectors with a mild resolution that did not contain any threat to use force. One wants to avoid the despot on the Tigris developing into a hero. A danger for the neighboring states is less based on Iraqi weapons than on Saddam's prestige among the Arab masses. This is why Ritter's departure is a good sign. Rambos are not necessary to disarm Saddam Hussein but persistent, diplomatic efforts. UNSCOM is only a means to an end to turn Iraq into a peaceful country with a domestic policy alternative."

MOROCCO: "An Inspector Resigns"

Mohamed Riffi penned this page-one commentary in government-coalition, French-language Liberation (8/28): "One of the principal American arms inspectors (with UNSCOM) has just

resigned, criticizing the lack of U.S. and UN Security Council support to UNSCOM.... For the Iraqis, this resignation is seen as an attempt to thwart Baghdad's efforts to secure a date for lifting the embargo. According to the official Iraqi news agency, Scott Ritter's gesture 'proves that UNSCOM is manipulated by the United States and Israel.'... The aim of this strategy is to prolong indefinitely the activities of the UN commission."

LOCKERBIE: WILL WEST'S 'STEADFASTNESS' PAY OFF?

GERMANY: "Sanctions Have An Effect After All"

Centrist Mannheimer Morgen stressed (8/28): "As a matter of fact, the case of Libya proves that sanctions of the international community, as ineffective as they may be in individual cases, have an effect in the long term.... It would be fascinating to see that the godfather of terrorists all over the world seems to be chosen to show to the world the victory of law and order over violence and insidiousness. Western steadfastness has paid off."

"Tripoli Playing Tactical Games"

Thomas Wittke had this to say in an editorial in centrist General-Anzeiger of Bonn (8/28): "Libya's self-appointed revolutionary leader Qadhafi is only interested in one thing: freeing the country from the grip of international sanctions.... If the Libyan Foreign Ministry is now promising to study the proposal for an international trial, then we can interpret this as delaying tactics.... There is no doubt about it: The ones who are responsible for the terrorist attack from Lockerbie must be put on trial. The United States, which is highly armed in the fight against terrorism, will certainly find an answer if Libya refuses to cooperate."

ITALY: "Qadhafi Between Two Fires"

Middle East analyst Igor Man emphasized in page-one commentary of centrist, influential La Stampa (8/28): "It's neither a 'yes' nor a 'no,' but it's not a 'maybe' either. It is exactly and simply an 'Arab yes.' It would be too simple and even banal to talk of ambiguity. The communique issued by the Libyan foreign ministry...is a classical statement with double-meaning."

BURMA: 'FOREIGN DIPLOMATS SHOULD RESPECT CODE OF CONDUCT'

BURMA: "Respect For Code And Disrespect"

The government-owned, English-language New Light Of Myanmar had this piece by Sithu Nyein Aye, who insisted (8/28): "There is a diplomatic code of conduct in forging diplomatic relations...enacted by the Vienna Convention which explains privileges and limits. The code of conduct does not state that diplomats should make contacts with or give support to organizations opposing, criticizing and attacking the government of the host country, [or] give favor or preference to any individual or political party; [or] participate in assisting clandestine dispatch operations of or make secret contacts with organizations opposing the host nation using diplomatic immunity.... Diplomats breaching the code of conduct and wantonly doing what they like are not good diplomats."

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28 Aug 1998 08:48:49 EDT

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with ESMTP id <01J14Q9J8PKW001J7Y@PMDF.EOP.GOV> for Matsui_d@a1.eop.gov; Fri,

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X X` hp x (##XP\ P6QyP#Bill Richey, Branch Chief Media Reaction, (202) 61965
11 Ann Pincus, Director
Archived at: www.
usia.gov/products/medreac.htm

#Xn\ P6Qy&P#Friday, August 28, 1998

X` hp x RUSSIA: LOSS OF MARKET REFORMS, HARDLINERS COMING BACK?
X` hp x
X` hp x Amid reports that Russia's central bank has stopped currency trading f
or
the second day in a row, foreign media analysts expressed growing alarm
that
Russia's free market reforms would be scrapped and hardliners would
gain more
political power as the situation grew more chaotic. With
President Clinton sch
eduled to depart on Monday for his summit with
President Yeltsin, most analysts

called on the West not to abandon Russia.

LOSS OF MARKET REFORMS/HARDLINERS COMING BACK?Pundits in Britain, Germany, Spai
n and Japan worried that Russia's laboriously built reforms
toward a market eco
nomy would be swept away by the current economic and
political crisis. BBC Wor
ld Service said: "There are clear signs of a
retreat from free market reform a
nd a drift back to...central planning and
state control. These might well help
Mr. Chernomyrdin form a government of
national unity by attracting the support
of the communists, but they will
not reassure foreign investors and creditors
who are now counting their
losses in billions of dollars." Rightofcenter Fran
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almost congruent with the views of financial oligarchs.... Wh
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more alarming for Western observers are attemptsand not only by the
communiststo distract attention from domestic problems by advocating an
aggress
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the financi
al misery of the country." Paris's rightofcenter Le Figaro
held that "if one d
ay rioters head to the Kremlin," they would acclaim
former general Alexander Le
bed, who "symbolizes the fantasies of Russians
who are convinced that the count
ry can only be run by a strong power."
THE WEST MUST HELPAcknowledging that "Russia is not in the technical
sense a cr
itical part of the world's economy," London's liberal Guardian
argued neverthel
ess that "if another large segment of humanity were to pass
into economic darkn
ess, the sense that things are out of control would
massively feed the panic su
rges which can have such a devastating effect on
international economic life."
Munich's centrist Sueddeutsche Zeitung
urged: "Even if Clinton and Kohl's pow
er is vacillating, they and their
colleagues must set up a consortium for Russi
a, since the World Bank and
the IMF no longer have the authority to force essen
tial moves with their
funds."
CLINTON/YELTSIN SUMMIT: Analysts in France, Japan and South Korea did not

hol
d out great hope for the meeting. Seoul's independent Hankyoreh
Shinmun conclu
ded: "The upcoming ClintonYeltsin summit won't find a real
solution for Russia,
 mainly because any workable solution would require
enormous political assets a
t home from both presidents, which neither of
them currently has at this point.
  There also is recognition on the part of
the U.S. that Russia has no ability
to make an effective use of the funds
coming in from abroad.   The absence of Y
eltsin's political leadership is
obviously making the situation worse."
   BRIEFS
   X` hp x   Iraq: Ritter Resigns From UNSCOM
      Lockerbie: Will West's 'Steadfastness' Pay Off?
      Burma: 'Foreign Diplomats Should Respect Code Of Conduct'
EDITORS: Kathleen J. Brahney, Bill Richey and Gail Hamer Burke

X`   hp x   RUSSIA: LOSS OF MARKET REFORMS, HARDLINERS COMING BACK?
X`   hp x
X`   hp x RUSSIA: "To Forsake Ruble Is Inadmissible"

   Dmitriy Dokuchayev stated on page one of reformist Izvestia (8/28): "For
Chern
omyrdin, even though he is still an acting premier and has his hands
full these
 days, to forsake the ruble is inadmissible and irresponsible."

   "Power Crisis"

   Vasily Golubev opined in centrist Nezavisimaya Gazeta (8/28): "The
authorities
, through their stupid moves and statements over the past few
weeks, have done
what the opposition could not have done on its own. They
have increased its so
cial base in time for parliamentary elections, whether
early or regular. The o
pposition cannot miss this chance. Otherwise, that
would be the end of it."

   "Joint Program"

   Reformist Russkiy Telegraf (8/28) commented editorially on an economic
stateme
nt drafted by a tripartite commission that includes representatives
of the Dum
a, the Federation Council and the government: "It is an attempt
to adapt the ex
isting system of state capitalism to possible social
problems, while maintainin

g its basic principles.... The document's big
virtue is that it aims at retaini
ng the foundation of a market economy
built in the reform years."

"Nobody Is Interested"

Svetlana Lolayeva contended in reformist VremyaMN (8/28): "Nobody seems to
be
interested in what is written in the joint economic memorandum by the
Duma and
the government. It is a disposable paper which, after
Chernomyrdin uses it as
'hard evidence' of his willingness to listen to
parliament, will be shelved for
good. The funny thing is that everybody
knows that."

BRITAIN: "Clear Signs Of A Retreat From Free Market Reform"

BBC Radio's World Service commented (8/28): "These are grim, possibly
dangero
us times, in Russia. There is still no word from Mr. Chernomyrdin
on which dir
ection the country is to take. There are clear signs of a
retreat from free ma
rket reform and a drift back to the economic management
methods of central plan
ning and state control. These might well help Mr.
Chernomyrdin form a governme
nt of national unity by attracting the support
of the communists, but they will
not reassure foreign investors and
creditors who are now counting their losses
in billions of dollars."

"Washington Rudderless As Ruble Tumbles"

The conservative Daily Telegraph commented from Washington (8/28): "With
Russ
ia imploding, Japan in economic meltdown, Iraq rampantly defiant, and
the Middl
e East peace process apparently adrift, allies and foes are
asking, 'Where's Am
erica?' In terms of clear, effective leadership, the
world's only superpower i
s nowhere to be seen.... A worry about
appearances erodes Mr. Clinton's abilit
y to swing public opinion behind
decisive action abroad. It is harder to win s
upport for a fight against
terrorism when some people suspect that the
president is really fighting Kenneth Starr, officials privately concede.
But t

he coincidence of calamity at home and abroad is also, say many,
merely thata d
eeply unfortunate coincidence.... It is assumed in
Washington that Mr. Clinton
's domestic travails have exacerbated his
tendency to conduct foreign policy on
an adhoc basis, without clear goals
or consistent effort to achieve them."

"Rescuing Russia"

The liberal Guardian had this lead editorial (8/28): "The scale of the
econom
ic and political disaster which threatens Russia is such that it
demands an unp
recedented effort by the international community. At stake
may well be not onl
y Russia's future stability, but the global economy
itself, for a crash in Russ
ia can hardly be confined in its effects to that
country alone. It is true tha
t Russia is not in the technical sense a
critical part of the world economy. B
ut if another large segment of
humanity were to pass into economic darkness, th
e sense that things are out
of control would massively feed the panic surges wh
ich can have such a
devastating effect on international economic life. That Ru
ssia has in
effect defaulted on its debts makes this even more likely."

FRANCE: "Lebed's Time"

Charles Lambroschini concluded in rightofcenter Le Figaro (8/28):
"Yeltsin is
politically finished.... Chernomyrdin and Lebed have decided
to make common ca
use with each other.... If one day rioters head to the
Kremlin, they will have
no mercy for Chernomyrdin. This communist
apparatchik, who has become a rich
capitalist, never followed any other
policy except opposition to progress. For
having planned reforms he has
never achieved, he is one of the first responsib
le for today's disaster.
On the other hand, rioters probably would acclaim Leb
ed. The charismatic
general (Lebed) symbolizes the fantasies of the Russians w
ho are convinced
that the country can only be run by a strong power."

"For Clinton Administration, Ball Is In Russians' Court"

Washington correspondent JeanMarie Macabrey and Blanca Riemer wrote in centrist La Tribune (8/28): "Although Bill Clinton is going to Moscow next week, the Russian crisis has not provoked reactions in Washington.... Washington's discreet attitude can be explained by the fact that the administration no longer knows what to do to help the Kremlin and thinks that it is the Russians' turn to play.... The Americans are not, of course, completely inactive. Behind the scenes, pieces of advice are given to Russian leaders about the debt restructuring plan.... The Clinton administration policy about Russia has provoked criticism, and people fear the September 13 meeting may lead to no result at all."

"Lebed Not Likely To Accept SecondClass Role"

About the possibility that Lebed may be called to power, Laure Mandeville judged in rightofcenter Le Figaro (8/28): "Lebed is not likely to accept a secondclass role because he is in an excellent position for the next presidential election.... Is it so certain that Chernomyrdin wants a such an embarrassing partner?"

GERMANY: "A Firewall For Russia"

Josef Joffe had this to say in an editorial in centrist Sueddeutsche Zeitung of Munich (8/28): "Can the West build a state for the Russians? No, it cannot.

But it can and must do simply things now. Even if Clinton and Kohl's power is vacillating, they and their colleagues must set up a consortium for Russia, since the World Bank and the IMF no longer have the authority to force essential moves with their funds. This emergency fund must extinguish the looming political danger, i.e. it must stop the total loss of confidence among the small savers who are desperately lining up in front of banks to get their money back. This assistance should serve only one goal: to guarantee their accounts to prevent these millions of voters to defect to demagogues such as the communists, since the only thing that comes to their mind to resolve the crisis is the nationalization of industries and the printing of more money.... Can the West drop Russia? Maybe, since Russia is not as integrated into the world economy as Japan. Also, even the wildest men such as Lebed and the communists cannot close their eyes to reality.

"They can print money but a few months later the people will realize who deceived them.... It is risky to bet on Russia's selfhealing forces. It would be wiser to pay the insurance."

"Russian Setback"

Werner Adam mused in a frontpage editorial in rightofcenter Frankfurter Allgemeine (8/28): "What influential circles in both chambers of parliament and supporters of Premier Chernomyrdin have conceived to resolve the looming financial insolvency of the state corresponds to views of which we thought that they were buried with the collapse of communism.... It is unprecedented and worrying that the views of communists are almost congruent with the views of financial oligarchs.... What is even more alarming for Western observers are attemptsand not only by the communiststo distract attention from domestic problems by advocating an aggressive national patriotism and by blaming the West...and the IMF...for the financial misery of the country. A development is looming that must be worrying Russia's neighbors."

"Russia At An Abyss"

Ralf Neubauer argued in a frontpage editorial in rightofcenter Die Welt of Berlin (8/28): "With the replacement of courageous reformer Sergei Kiriyenko, Boris Yeltsin proved that he feels more obliged to the powerful financial oligarchs and their privileges than to the general wellbeing. We must fear that all possible successors to Yeltsin will make arrangements with the profiteers in the veil of political power. Yesterday's

anticrisis program clearly shows how far
Russia has in the meantime left
the path of virtue. Even if it is implemented
in a mitigated form, the
economic and financial crisis is likely to escalate ev
en more. With or
without Yeltsin, the country is unstoppably stumbling to an a
byss."
X`   hp x
ITALY: "Nightmare Of A World Crisis"

Economic analyst Federico Rampini stressed in leftleaning, influential La
Repub
blica (8/28): "What is most scary is not the spiral of panic related
to the de
clining markets, but the impression that political answers are
either inadequat
e or inconsistent.   The series of mistakes made by the IMF
over the last year,
Clinton's evident weakness, the silence of Germany in
this preelectoral phase,
the eternal lack of European leadership: these
are the factors that create fea
r."
X`   hp x
"Unbelievable Chain Of Mistakes"

Respected economic analyst Mario Deaglio concluded in influential La
Stampa (8
/28): "In this chaotic situation, two lameduck presidents are
scheduled to meet
in Moscow next week. The meeting risks becoming a
melancholic farewell betwee
n two leaders who, in reality, may no longer
have anything to say to each other
. In the meantime, the fury of the
stormwhich could have been at least curbed
with more attention on their
partis making all weak international currencies va
cillate."

HUNGARY: "The Bear's Shadow"

Influential Magyar Hirlap carried this by contributor Peter Szakonyi
(8/28):
"The most importan foreign institutional investors in the Budapest
stock market
moved fast and withdrew their money from the Hungarian market
as fast as they
could. When they will...realize the differences between
the countries of the f
ormer Eastern bloc is impossible to tell at this
moment. The only positive fea
ture of the Russian crisis is that it is

still possible...to withdraw money from the Hungarian market.... This is a bitter consolation, but in other countries of the Eastern region it is almost impossible."

POLAND: "Who Governs In Russia?"

Centrist Rzeczpospolita had this comment by Piotr Jendroszczyk (8/28): "To say that the Yeltsin era is over seems to be premature. Although the communists are not surrendering and calling for Yelstin's dismissal, their maneuvers hint that part of the reason for this [reaction] is that they are ready for a political compromise with the president.... Forcing Yelstin to immediately abdicate would rid Russia of a man whowhatever else can be said of himguarantees the continuation of democratic reforms. And this is vital for the West, whose further assistance Russia intends to seek as demonstrated by Chernomyrdin's meeting with the head of the IMF Michel Camdessus.... All scenarios for the future, however, may turn out to be mere fantasy once the streets of Russia's cities are teeming with millions of desperate and hungry citizens whose legendary patience must also have limits."

SPAIN: "Soviet Agony"

Conservative ABC noted (8/28): "There cannot be anything worse right now for the Russian people now than to see communists and ultranationalists trying to grab power again.... The failure of Russia to adopt a market economy comes from its twisted Soviet roots, as if they were trying to travel on a highway with a bicycle.... The fall of the Soviet empire has not finished and will not end until this methodology comes to an end. For now, we witness the agony, the death rattles of its economic system."

"The Jolt Arrives"

Liberal El Pais opined (8/28): "The gravity of the financial crisis shows no sign of letting up. Day after day, the financial markets, particularly the stock markets, show evidence of the deterioration of...Japan, Russia, and Latin America.... It is up to the big [powers], the United States in particular...to show leadership.... Now, there should be an intervention with the Japanese government to demand decisions that will avoid the conversion of this prolonged market adjustment into a global financial crisis."

SWEDEN: "Russia's Financial Crisis"

Independent, liberal Dagens Nyheter (8/28) had this editorial: "The Russian economy now seems on its way toward another financial meltdown. The ruble is in a free fall...and what is the reason behind this mess? It is not because Russia has changed to a market economy. On the contrary, the transformation has failed. The country certainly has an impressive technological knowhow, although the greater part of this capability has been absorbed by an unproductive military establishment. The underlying problem is that the economic dictatorship of socialism never managed to develop working institutions. There was knowledge, but no economic organization. Those who still call themselves socialists have got another chance to learn something."

CHINA: "Ruble Plummets Wildly; Russians Amidst Fear And Panic"

Li Qingyi wrote in official Chinese Youth Party China Youth Daily (Zhongguo Qingnianbao) (8/28): "Experts predict that prices of all types of commodities in Russia will rise by 20 per cent by the end of this year. Just as with the previous currency reforms, there is now a surging rush for goods in Moscow."

JAPAN: "President's Authority In Eclipse"

Liberal Mainichi Shimbun's Moscow correspondent Ishigo wrote (8/28): "The liberalminded reform policy set by former deputy prime ministers Gaidal and Chubais and outgoing premier Kiriyenko will be suspended completely. There is a gro wing possibility that the Yeltsin

government's goal of Russia becoming a full member of the international econom
y will be postponed. In ordinary times, President Yeltsin might have taken dra
stic actions to prevent a departure from the reform line. However, he has no
resources available amidst the current financial crisis, which may cause an e
conomic meltdown. In order to avoid further panic and to restore people's con
fidence in politics, Yeltsin is being forced to strike a deal to form a nation
al unity government for mere
form's shake."

"U.S. Perplexed With Russia's Economic Confusion"

Conservative Sankei Shimbun's Washington correspondent Maeda noted: "How to re
scue Russia's crumbling economy will be the first and foremost concern during
the upcoming summit between Clinton and Yeltsin. The focus will be on whether
President Clinton will continue to support Russia's reform efforts. Doubts ha
ve been expressed in Washington over extension of further financial assistance
to the russian economy, which seems to be in chronic crisis. At a time when b
oth leaders are facing erosion of their political footholds domestically, it i
s very unlikely that they can change policies or strike deals that will shape
a new bilateral relationship for
the 21st century."

SOUTH KOREA: "U.S. Urges Russia's Reform But Balks Over Assistance"

Independent Hankyoreh Shinmun (8/28) commented: "Can the United States save Ru
ssia?... Though the two countries' relations have largely been characterized a
s those of benefactor and beneficiary, never has Russia needed U.S. help more
urgently than now. With a ClintonYeltsin summit approaching now, Russia seems
to have greater expectations for U.S. assistance; nevertheless, U.S. reaction
remains decidedly cold so far.... Washington's basic position
remains that Russia should continue its reforms to be able to restore trust in

the market.... The upcoming ClintonYeltsin summit will not find a real soluti on for Russia, mainly because any workable solution would require enormous pol itical assets at home from both presidents, which neither of them currently has at this point. There also is recognition on the part of the United States tha t Russia has no ability to make effective use of the funds coming in from abroa d. The absence of Yeltsin's political leadership is obviously making the situ ation worse."

"Russia Virtually Bankrupt"

Moderate Hankook Ilbo (8/28) commented: "The earthquake coming from Russia is shaking up the entire world's financial markets. What's more serious is that the phenomenon is just beginning.... It certainly looks as if Russia's declar ation of a moratoriumon dollardenominated debts this timeis just a moment away, leaving the impression that the country is very close to a total default.... To make up the loss in R ussia, Western banks will soon turn to international markets trying to find fun ds there, a prospect which will drastically destablize the world's interest rat es. In this scenario, the world's stock markets face a collapse in the end."

THAILAND: "An Unstable Russia Affects World Peace"

The independent, Englishlanguage Nation had this editorial (8/28): "Given its superpower status, Russia cannot remain as an economically sick nation because it will have farreaching ramifications for global peace and security. A Russia that is weak will break further away from the West and Europe, as exemplified by Moscow's reaction toward the U.S. bombings of Sudan and Afghanistan. The fa ster Russia recovers from the crisis, the better it is for all of us. The eupho ria of the postCold War era, which promised a harmonious EastWest relationship, has all but evaporated. Without ideological differences as in the past, econ omic insecurity and disparity between Russia and the West is potentially more

destabilizing
than anything we have seen in the past. This is because Russia
has enough
nuclear bombs to blow up the planet."

X` hp x
BRIEFS

IRAQ: RITTER RESIGNS FROM UNSCOM

BRITAIN: "Ultimate Weapon"

The independent Financial Times opined (8/28): "The resignation of Scott
Ritte
r from the UN inspection team in Iraq suggests the West is approaching
a danger
ous impasse in its efforts to eradicate weapons of mass
destruction.... Earlie
r this year the United States threatened to destroy
suspected Iraqi sites with
missiles. But its recent attack on a
pharmaceutical factory in Sudan has done
nothing to encourage support for
such a policy. The United States may have had
plausible evidence that the
Khartoum factory was making a component for chemic
al weapons. But it does
not seem to have shared the data with its allies. Con
sequently, there are
now widespread doubts that it hit the right target.

"If the United States hopes to make credible threats of a strike against
Iraq i
n future, it must as a minimum take its allies much more into its
confidence.
But missile strikes can only be a very last resort, as there
is little evidence
that they are very effective in destroying such weapons.
Analysis by French ex
perts of claims that Iraq has armed weapons with
lethal gas may harden
world opinion next month before the next review of the sanctions regime.
If so
, very tough conditions might be imposed for a further limited lifting
of sanct
ions. No one should be optimistic that Mr. Saddam would comply,
but the option
s short of a bloodbath are sadly limited."
X` hp x
"Ritter Is Right'

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on to leave his post with UNSCOM is exceptional.... The most shameful aspect of this whole affair is that it has not been Saddam Hussein but Kofi Annan and Madeleine Albright whose actions have forced Mr. Ritter to tender his resignation.... The State Department has attempted, over the past six months, to dissuade UNSCOM from entering sensitive sites within Iraq for fear of further confrontation. It has done Saddam's work for him.... The United States has exposed itself to the charge of duplicity.... It has announced a long term war against terrorism. Yet its resolve is now weakening against states intent on the proliferation of weapons of mass destructionnot only Iraq but North Korea as well. Ms. Albright should act upon Mr. Ritter's warning that the 'illusion of arms control is more dangerous than no arms control at all.'"

GERMANY: "Rambo's Farewell"

Jochen Siemens noted in an editorial in leftofcenter Frankfurter Rundschau (8/28), "Ritter's resignation and the latest revelations in the Washington Post signal that the U.S. attitude towards Iraq is not as rigid as it may have appeared. The United States, such as the other major powers, are trying to play down the latest Iraq crisis. The UN security Council answered the latest obstructions of UN weapons inspectors with a mild resolution that did not contain any threat to use force. One wants to avoid the despot on the Tigris developing into a hero. A danger for the neighboring states is less based on Iraqi weapons than on Saddam's prestige among the Arab masses. This is why Ritter's departure is a good sign. Rambos are not necessary to disarm Saddam Hussein but persistent, diplomatic efforts. UNSCOM is only a means to an end to turn Iraq into a peaceful country with a domestic policy alternative."

MOROCCO: "An Inspector Resigns"

Mohamed Riffi penned this pageone commentary in governmentcoalition, Frenchlanguage Liberation (8/28): "One of the principal American arms

inspectors (with U
NSCOM) has just

resigned, criticizing the lack of U.S. and UN Security Council support to
UNSCO
M.... For the Iraqis, this resignation is seen as an attempt to
thwart Baghdad
's efforts to secure a date for lifting the embargo.
According to the official
Iraqi news agency, Scott Ritter's gesture 'proves
that UNSCOM is manipulated
by the United States and Israel.'... The aim
of this strategy is to prolong in
definitely the activities of the UN
commission."

LOCKERBIE: WILL WEST'S 'STEADFASTNESS' PAY OFF?

GERMANY: "Sanctions Have An Effect After All"

X` hp x Centrist Mannheimer Morgen stressed (8/28): "As a matter of fact, the
case
of Libya proves that sanctions of the international community, as
ineffec
tive as they may be in individual cases, have an effect in the long
term....
It would be fascinating to see that the godfather of terrorists
all over the wo
rld seems to be chosen to show to the world the victory of
law and order over
violence and insidiousness. Western steadfastness has
paid off."

"Tripoli Playing Tactical Games"

Thomas Wittke had this to say in an editorial in centrist GeneralAnzeiger
of B
onn (8/28): "Libya's selfappointed revolutionary leader Qadhafi is
only intere
sted in one thing: freeing the country from the grip of
international sanction
s.... If the Libyan Foreign Ministry is now
promising to study the proposal f
or an international trial, then we can
interpret this as delaying tactics....
There is no doubt about it: The
ones who are responsible for the terrorist a
ttack from Lockerbie must be
put on trial. The United States, which is highly
armed in the fight
against terrorism, will certainly find an answer if Libya re
fuses to
cooperate."
X` hp x

ITALY: "Qadhafi Between Two Fires"

Middle East analyst Igor Man emphasized in pageone commentary of centrist,
inf
luential La Stampa (8/28): "It's neither a 'yes' nor a 'no,' but it's
not a 'm
aybe' either. It is exactly and simply an 'Arab yes.' It would be
too simple
and even banal to talk of ambiguity. The communique issued by
the Libyan forei
gn ministry...is a classical statement with
doublemeaning."

BURMA: 'FOREIGN DIPLOMATS SHOULD RESPECT CODE OF CONDUCT'

BURMA: "Respect For Code And Disrespect"

X` hp x The governmentowned, Englishlanguage New Light Of Myanmar had this piec
e
by Sithu Nyein Aye, who insisted (8/28): "There is a diplomatic code of
cond
uct in forging diplomatic relations...enacted by the Vienna Convention
which ex
plains privileges and limits. The code of conduct does not state
that diplomat
s should make contacts with or give support to organizations
opposing, criticiz
ing and attacking the government of the host country,
[or] give favor or prefer
ence to any individual or political party; [or]
participate in assisting clande
stine dispatch operations of or make secret
contacts with organizations opposin
g the host nation using diplomatic
immunity.... Diplomats breaching the code o
f conduct and wantonly doing
what they like are not good diplomats."
X` hp x
###Xx\ P6QyXP#

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

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

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Wednesday, September 2, 1998

MONITOR--A DAILY BRIEFING ON THE POST-SOVIET STATES

IN THIS ISSUE:

* Yeltsin says he won't dissolve the Duma "if they behave themselves"

* Chernomyrdin sends Yeltsin cabinet list

* Day One of Russian-U.S. summit produces few surprises

* Yeltsin and Clinton discuss arms control issues

* Russia reacts uncertainly to North Korean missile test

* First Deputy Finance Minister arrested on suspicion of bribe taking

* Transdniester leader vows to resist Bosnia-type solution and NATO's

enlargement

* Armenian-American woman heads Kocharian's press office

* Tajik opposition hands over the suspected assassins of UN observers

THE RUSSIAN FEDERATION

DUMA MAY BE DISSOLVED ON SEPTEMBER 14, CHERNOMYRDIN-SUPPORTERS WARN. The

Duma is expected to reject Viktor Chernomyrdin's candidacy when it debates it for the second time on September 7. Members of Chernomyrdin's camp are loudly warning the Duma that, if it rejects Chernomyrdin's candidacy for a third time a week later--on September 14--President Yeltsin will dissolve the parliament.

Financier Boris Berezovsky warned the Duma in a TV interview on Monday that it will be dissolved if it refuses to endorse Chernomyrdin's candidacy. (ORT, August 31) Berezovsky is credited with the key role in pressuring Yeltsin's chief-of-staff Valentin Yumashev and younger daughter Tatyana Dyachenko into persuading Yeltsin to fire Prime Minister Sergei Kirienko last month and re-appoint Chernomyrdin. (Dyachenko is said to be indebted to Berezovsky for extravagant gifts and for his funding of her father's 1996 reelection, while Yumashev is, according to Time magazine, a "wholly privatized Berezovsky subsidiary." [Time, September 7])

Berezovsky's game plan is believed to be to persuade Yeltsin to stand down in favor of Chernomyrdin, paving the way for early presidential elections in which Chernomyrdin would run with the support of another Berezovsky protege, Krasnoyarsk Governor Aleksandr Lebed. Chernomyrdin is seen by Berezovsky and fellow financial barons as a safe pair of hands protecting them from ex-premier Sergei Kirienko's ineffectual efforts to bring them to heel. "They almost succeeded [in persuading Yeltsin to resign] in July, but [Boris] Nemtsov and [Anatoly] Chubais were able to stop it," Time reports.

Dyachenko is said to be particularly concerned about the possibility that the Yeltsin family might face criminal prosecution once her father leaves office. (Time Magazine, September 7)

The Duma got a similar warning yesterday from the Deputy Speaker of the Duma, Vladimir Ryzhkov, who said parliament would be dissolved on September 14 if it refused to endorse Chernomyrdin. (Ekho Moskvy, September 1) Ryzhkov has an ax to grind: He is a member of Russia is Our Home, the movement Chernomyrdin leads. Ryzhkov went on yesterday to accuse the opposition of being determined to "finish off the [Yeltsin] regime within the next month or two." But, if Time's report on Berezovsky's intentions is accurate, Berezovsky and his fellow-financiers are even more determined than the communist-dominated Duma to see Yeltsin leave office early and hand the reins over to oligarch-friendly Chernomyrdin.

As for Yeltsin, he minced no words yesterday, telling Russian Television he would not dissolve parliament "if they behave themselves." (RTR, September 1)

CHERNOMYRDIN DRAWS UP NEW CABINET. Acting Prime Minister Viktor Chernomyrdin has drawn up a list of new cabinet members and sent it to President Yeltsin, Russian media reported yesterday. (Itar-Tass, September 1) The present ministers of defense, interior and foreign affairs are expected to remain in

their posts but there is much speculation about other ministerial appointments. According to NTV, a leading post in the new government will go
to Yuri Maslyukov, a moderate communist who was the last head of USSR Gosplan and is now acting minister of industry and trade. Mikhail Zadornov is expected to remain as finance minister and Boris Fedorov--the last hope of the reformist lobby--will keep his post as head of the State Tax Service.
(NTV, September 1)

RUSSIAN ECONOMIC REFORM DOMINATES FIRST DAY OF SUMMIT. There were few surprises yesterday as U.S. President Bill Clinton held the first of two days of summit talks in Moscow. A somewhat qualified reaffirmation of his support for economic reform by Russian leader Boris Yeltsin did, however, generate some concern among American delegation members. Yesterday's meeting
provided an opportunity for the U.S. and Russian presidents to quickly renew
their friendly personal relations. Clinton was greeted by Yeltsin with a bear-hug upon his arrival at the Kremlin and the two leaders--each of whom faces considerable political challenges at home--were soon laughing together
jovially.

In his remarks during the meeting with Yeltsin, however, and later, in the course of a speech to students at Moscow State University, Clinton reemphasized the same message that he had voiced prior to his departure for

Moscow: namely, that only continued market reforms would restore investor confidence in the Russian economy. "You can build a prosperous future if you
stand strong and complete--not run from, but complete--the transformation you began seven years ago." The U.S. president warned anew of a return to the "failed policies of the past," and was also reported to have made clear that the United States is not now prepared to offer additional financial help to Moscow. A White House official traveling with the U.S. delegation was quoted as saying, "We didn't come here with any money.... Right now, money isn't the answer." (Reuter, AP, September 1)

Kremlin sources said that the Russian president had assured Clinton that Moscow "will follow the path of creating a market economy" and that there "will be no going back on reform." But, according to the same sources, Yeltsin also said that "in certain situations, there could be some tactical adjustments to this [reform] course, including in terms of strengthening the
state role in the economy." U.S. Deputy Treasury Secretary Lawrence Summers suggested later that the U.S. side was reserving judgment on Yeltsin's remarks until the "plan and the actions" of the Russian government are made clearer. (Reuter, AP, September 1)

In a series of consultations preceding Clinton's departure for Moscow, Western leaders expressed their concern that backsliding by Russia in the area of economic reform could have adverse effects, not only on the Russian economy, but on international financial markets as well. The West has made clear that continued financial support for Russia is contingent on Moscow's maintaining its economic reform program.

SECURITY ISSUES ALSO DISCUSSED. The Clinton-Yeltsin talks in Moscow mark the fourth time in five years that the two presidents have held formal summit meetings. The U.S. president was greeted on his arrival in Moscow early yesterday morning by acting Prime Minister Viktor Chernomyrdin. Yeltsin and Clinton began their talks yesterday at the Kremlin in the presence of their press secretaries only. According to Russian sources, the larger Russian and U.S. delegations that eventually took part in the talks included, on the Russian side, acting Foreign Minister Yevgeny Primakov, Kremlin press secretary and foreign policy adviser Sergei Yastrzhembsky, and Security Council Secretary Andrei Kokoshin. Among those present on the American side were U.S. Secretary of State Madeleine Albright, her first deputy, Strobe Talbott, and White House National Security Adviser Samuel Berger. (Itar-Tass, September 1)

According to Yastrzhembsky, the Yeltsin-Clinton talks yesterday focused first on Russia's economic crisis, and then moved on to include a wide range of international and bilateral security and foreign policy issues. Those issues, Yastrzhembsky said, included strategic arms control and a possible START III treaty that would further reduce Russian and U.S. nuclear arsenals. The two presidents also discussed the CFE Treaty, Yastrzhembsky said, as well as the battle against international terrorism and questions related to the inadmissibility of exporting missile technologies to Iran

and
Pakistan. (Russian agencies, September 1)

According to American sources, two other security issues were on yesterday's agenda and should result today in agreements to be signed by the two sides. One of those involves a plan to dispose of plutonium for nuclear warheads. A second involves a commitment by both countries to share information on the launching of ballistic missiles and space launch vehicles. Washington and Moscow are also expected to agree to establish a system for exchanging early-warning data from satellites and ground stations immediately after the launch of missiles from any third country. (AP, Washington Post, September 1)

MOSCOW SENDS MIXED SIGNALS ON NORTH KOREAN MISSILE TEST. Russia's Foreign Ministry yesterday expressed concern over the August 31 launching by North Korea of a medium-range ballistic missile--part of which apparently fell into Russian waters in the Sea of Japan and part of which flew over Japanese territory. Russian Foreign Ministry spokesman Vladimir Rakhmanin said yesterday that Russian authorities were seeking details of the launch from the North Korean government. Russia's Pacific Fleet, meanwhile, announced that it had no plans to send out vessels in search of debris from the Taepo Dong 1 medium-range missile. (Russian agencies, September 1)

Yesterday's reports out of Russia appeared to signal some continued confusion among Russian authorities over the North Korean missile launch. That confusion was suggested a day earlier when the headquarters of Russia's
Strategic Missile Forces admitted that it had not detected the launch of the
ballistic missile by North Korea. (Itar-Tass, August 31) Moreover, the commander of the Russian missile forces, General Vladimir Yakovlev, said that the missile had been launched accidentally by the North Koreans while its engines were being inspected. (UPI, August 31) An unnamed officer attached to the missile forces' main headquarters, meanwhile, described the launch as abortive. He said the missile had deviated from its intended flight path. The officer also said that the North Koreans had not informed Russia about the intended launch. (Itar-Tass, August 31)

The test-firing has raised concerns of new missile proliferation dangers in Asia. The launching has simultaneously threatened to scuttle a fragile international agreement under which the United States, Japan, South Korea, and the European Union were to finance the construction of two light-water nuclear reactors in North Korea. Finally, the launching has outraged Japan, which said yesterday it would break off diplomatic talks with Pyongyang and refuse to provide food aid for North Korea. (Reuter, AP, Washington Post, September 1)

BRIBES BEHIND ARREST OF RUSSIA'S FIRST DEPUTY FINANCE MINISTER. Vladimir Petrov, First Deputy Minister of Finance, was arrested yesterday in connection with allegations that he accepted a large bribe from an unidentified commercial bank in return for furthering the bank's interests. (ORT, September 1) Also in trouble with the law is Aleksandr Rutskoi Jr., the twenty-four-year-old son of Russia's former vice-president, now governor of Kursk Oblast. The young Rutskoi was discovered trying to leave Moscow on a flight to Germany with a large amount of cash (US$12,900) which he did not declare to the customs authorities. (Moskovsky komsomolets, September 1)

THE WESTERN REGION

TRANSDNIESTER SAYS NYET TO NATO. Transdniester president Igor Smirnov yesterday charged that the central government of Moldova plans to invite NATO troops for a "Bosnia-type military solution" to the Dniester conflict. "Transdniester will never accept the entry of NATO troops, even if Moldova joins the NATO alliance," Smirnov vowed. "They can destroy us but they can't subdue us." He also chastised Chisinau's recent steps toward internationalizing the negotiations toward a settlement of the conflict. Smirnov spoke on the occasion of the eighth anniversary of the "Dniester-Moldovan Soviet Socialist Republic" and of his own election as its leader. (Russian agencies, September 1)

On September 2, 1990, local Russian leaders proclaimed Transdniester's secession from Moldova in the name of preserving socialism and the USSR. At that time and later, Moscow supported Transdniester's secession in order to retain a strategic foothold between Ukraine, Moldova, and the Balkans. Transdniester leaders portray themselves as guardians of historic Russian interests and, more recently, as an obstacle to NATO's enlargement. The latter part of the argument seeks to justify the continuing presence of Russian troops in that part of Moldova.

THE SOUTH CAUCASUS

KOCHARIAN CHOOSES ARMENIAN-AMERICAN AS SPOKESWOMAN. Armenian President Robert Kocharian yesterday announced the appointment of Gasia Abgarian as his spokeswoman. The move is the latest in a series of appointments of diaspora figures to government posts in Armenia. A graduate of the University of California and a former chief of the Yerevan office of the Armenian Assembly of America, Abgarian joined the Kocharian administration following his recent ascent to the presidency. During the election campaign Kocharian had promised to increase the role of diaspora representatives in the affairs of the mother country. (Noyan-Tapan, September 1)

CENTRAL ASIA

TAJIK OPPOSITION COMMANDER APPREHENDS SUSPECTED KILLERS OF UN OBSERVERS. United Tajik Opposition (UTO) commander in chief Mirzo Zio yesterday handed over to Dushanbe three gunmen suspected of having murdered four members of the UN Mission of Observers in Tajikistan (UNMOT) on July 20. Zio's troops apprehended the suspects in the Tavildara area, where the UNMOT party was ambushed and Zio is based. Zio and the civilian leadership of UTO strongly condemned the act and vowed to search for the perpetrators. UNMOT has suspended most of its operations in Tajikistan pending identification and prosecution of the assassins. (Itar-Tass and other Russian agencies, September 1. Background in the Monitor, July 22 and 23).--VS

The Monitor is a publication of the Jamestown Foundation. It is researched and written under the direction of senior analysts Elizabeth Teague, Vladimir Socor, Stephen Foye, and analysts Igor Rotar, Douglas Clarke, Peter
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If you would like information on subscribing to the Monitor, or have any comments, suggestions or questions, please contact us by e-mail at <host@jamestown.org>, by fax at 202-483-8337, or by postal mail at The Jamestown Foundation, 1528 18th Street NW, Washington, DC 20036.

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In this issue:

* The Fortnight in Review

* The Seeds of Russia's Present Crisis

* Global Finance and National Security: The Implications of the IMF

Bailout

THE FORTNIGHT IN REVIEW

RUSSIA PLUNGES INTO POLITICAL CRISIS

Russia's prolonged and agonizing economic turmoil turned into a full-scale political crisis when, on August 31, the opposition-dominated State Duma voted down President Boris Yeltsin's nomination of Viktor Chernomyrdin as prime minister. Yeltsin immediately reconfirmed his support for Chernomyrdin's candidacy. If the Duma rejects his nomination three times, the president will have the constitutional right to dissolve parliament and call fresh elections.

Confidence in the Russian currency had been shrinking ever since the first panic over emerging markets began in Thailand in the fall of 1997. The resultant spotlight on emerging markets worldwide revealed deep structural flaws in Russia's political and economic systems--which are exemplified by cronyism, corruption, weak public finances and disregard for the rule of law. International confidence was further undermined by this year's fall in the world price for oil--Russia's main foreign currency-earner. Awareness grew that President Yeltsin's imperious rule, based on a constitution that emasculates parliament and concentrates huge powers in the hands of a physically and mentally enfeebled president, was a major part of the problem. There was growing disquiet, too, about the self-assertion of Russia's new class of bankers and oil magnates, commonly known as the "oligarchs."

The country's inability to shore up its public finances by collecting taxes and its dangerous dependence on high-yielding, short-term debt sparked fears
that Russia would be unable to honor its commitments. The government's efforts to crack down on tax defaulters, which include many of the country's
largest oil companies, earned it the animosity of the "oligarchs."
Meanwhile, attempts to reform the tax system by shifting the burden from the
corporate sector to the individual were frustrated by the opposition-dominated Duma.

Emergency funding of US$11.2 billion negotiated in July with the IMF and World Bank failed to restore confidence because it failed to address these structural problems. In fairness to the international lending organizations, they came under heavy pressure from G-7 governments to support Russia. They lent money against repeated promises from the Russian government that structural problems would be addressed and austerity policies implemented. Virtually none of these promises was met. Given that IMF Managing Director Michel Camdessus could not go personally and switch off the electricity to the thousands of Russian enterprises now in a persistent vegetative state, the IMF's best efforts were doomed to failure. Markets continued to slide and the ruble came under increasing pressure. The government found itself spending a third of its monthly budget revenues on interest payments.

Fears that the government would be forced either to default or devalue were realized on August 17 when the government and Central Bank decided to effectively devalue the currency, default on government bonds and impose a ninety-day moratorium on most foreign commercial debts. These decisions sent shock waves around the world. Until then the conventional wisdom had been that Russia was too big to be allowed to fail. The threat of economic meltdown and fears of resultant political instability sowed panic among investors and provoked a further exodus from emerging markets worldwide.

Devaluation made it impossible for many of Russia's 1,500 banks to continue to service their substantial foreign currency debts. To stave off complete collapse of the banking sector, the government came up with a plan to both protect twelve of the country's major commercial banks and encourage smaller ones to merge. These moves confirmed what many suspected all along: that devaluation had been delayed because banking sector officials had put pressure on the government to save their skins. Analysts pointed the finger at Russia's new ruling class--those heirs of the Soviet nomenklatura who amassed their fortunes in the USSR's sunset years by privatizing the old Soviet ministries and state-owned enterprises. It is this group that has most fiercely resisted efforts by reformist wings of successive governments to force them to pay their taxes and introduce greater transparency to their business dealings. Typified by oil and media tycoon Boris Berezovsky, the "oligarchs" put Yeltsin in power for a second term in 1996 and did not intend to let him or his government forget it.

BACK TO THE FUTURE

There was a fresh shock on August 23 when Yeltsin fired his youthful prime minister, Sergei Kirienko, and his government of five months, and re-appointed Viktor Chernomyrdin to the post of premier. Yeltsin had abruptly fired Chernomyrdin from that post in March. The nomination of Chernomyrdin--a former head of gas giant Gazprom who has close ties to big business and a record of appeasing the Communist opposition--inspired little confidence. There were those however who said that, by comparison with the likely alternatives, Chernomyrdin was the best of a bad lot. Yeltsin, who appeared increasingly unfit to rule, responded to opposition demands for his resignation by insisting that he would see out the remainder of his term. He also indicated that Chernomyrdin would be his anointed successor in 2000.

Chernomyrdin's nomination did nothing to arrest the market panic. The ruble continued to slide. The only thing to perk up was the price of Gazprom shares. Many wondered what would become of Russia's austerity policies and IMF commitments as Anatoly Chubais was dismissed as presidential envoy to the international lending institutions. Communists called for the renegotiation of Russia's agreement with the IMF. Chernomyrdin responded with a pledge to hike social benefits, pay off wage and pension arrears, and reform industrial policy--generally understood to mean an increase in state subsidies and a return to government intervention. Pessimists spoke of the restoration of state socialism. Optimists clutched at straws when, on August 26, Chernomyrdin flew to Crimea for discussions with Camdessus and, on August 30, appointed Boris Fedorov, generally seen as a reformer, to oversee economic strategy.

In a desperate effort to win parliamentary endorsement, Chernomyrdin on August 30 negotiated a power-sharing agreement with Duma leaders. Its aim was the entirely worthy one of increasing the role of parliament in the political process. The Duma was offered the right to approve the appointment of government ministers. The president would retain his exclusive right to appoint the "power ministers" (defense, foreign affairs, security and internal affairs). He would not, therefore, be reduced to a complete figurehead. He would, however, undertake not to dismiss the government without parliament's approval or to dissolve parliament for an eighteen-month period. Parliament, in turn, would withdraw its threat to impeach the president and approve Chernomyrdin as prime minister. According to some accounts, Yeltsin and his family were also promised immunity from criminal prosecution once he left office.

These concessions, to be enshrined in a series of constitutional amendments, would have represented a healthy correction to the overweening powers enjoyed by the Russian president under the 1993 constitution. They would also have reduced the danger that an adventurist president would at some future date get his hands on almost unrestricted power. Had the power-sharing agreement gone ahead, Russia might have been said to have started its transition to the post-Yeltsin era. What Chernomyrdin apparently failed to understand, however, was that the Duma was prepared to support his candidacy only in exchange for his participation in a campaign to remove Boris Yeltsin from power. When Yeltsin refused to stand down, the Duma on August 31 rejected the power-sharing agreement and overwhelmingly voted against Chernomyrdin's candidacy. Russia's elite locked horns in yet another power struggle from which the general population and the country at large stand only to lose.

A GLOOMY SUMMIT YIELDS MEAGER RESULTS

Russia's activities in the foreign policy sphere were, not surprisingly, dominated by this domestic turmoil. As the country descended into a

political and, especially, economic crisis, the focus of the Russian leadership turned toward garnering additional foreign financial aid. The world's leading powers, in return, called with increasing insistence for Russia to maintain its reform course. With some firmness, they conditioned continued financial support on this principle, and made clear that Russia would have to put its own financial house in order before it could expect succor from the West. This relatively unified response by the West was hammered out during a series of telephone conversations among world leaders
that immediately preceded U.S. President Bill Clinton's September 1-2 visit to Moscow.

The Yeltsin-Clinton summit--their first since a March 1997 meeting in Helsinki--reflected these broader Russian and international realities. In the days that preceded his departure for Moscow the U.S. president emphasized repeatedly that it was incumbent upon Russia to continue economic
reform if it wanted to remain eligible for Western aid. In Moscow, Clinton sounded the same themes, and Yeltsin replied duly with the requisite pledges. Western policymakers, however, were left uneasy by Yeltsin's observation that Moscow--while pursuing economic reform--would nevertheless consider increasing the role of the state in the running of Russia's economy. That qualification appeared to signal a willingness by the Kremlin to bend to the will of the parliament's communist opposition.

In the end, the long-awaited Russian-U.S. summit was a desultory affair that produced new proclamations of friendship between the two countries and their politically weakened presidents, but remarkably little in the way of concrete agreements. The concluding press conference, moreover, revealed that the two men had managed only to paper over their differences on a number of important international issues. Yeltsin restated Moscow's sharp opposition to NATO enlargement and criticized the United States for its willingness to intervene militarily in regional crises around the globe. Russia has long opposed military actions by the United States in Iraq and in the Balkans. Prior to this week's summit Yeltsin had harshly criticized the United States for air strikes carried out against targets in Sudan and Afghanistan.

The Yeltsin-Clinton meeting produced only two modest accords, each of them in the security area. One calls for the United States and Russia to share information when either detects a ballistic missile launch anywhere in the world. The other aims at reducing the stockpile of weapons-grade plutonium in the two countries by fifty metric tons. Although not without significance, the agreements were a far cry from past Russian-U.S. summits, which often resulted in major arms control initiatives. This latest meeting also fell far short of what had been hoped for only a few months ago. Then, it was thought that the Russian parliament might move finally to ratify the START II treaty, and that Presidents Yeltsin and Clinton might then be able to finalize the terms of a follow-on START III agreement that would further reduce nuclear arsenals.

THE CRISIS IN RUSSIA: PROSPECTS FOR STABILITY

By Peter Rutland

Events in Russia are still in a state of crisis, and resolution of the political and economic collapse which befell the country may not come for several months. The situation is eerily reminiscent of the failed August 1991 coup: It was not until December 1991 that it became clear that the only way to resolve the collapse of then Soviet leader Mikhail Gorbachev's authority was to break up the Soviet Union.

Russia has experienced many political and economic crises during its first seven years of troubled life as an independent state, but it managed to survive each one while preserving its basic commitment to market economics and liberal democracy. Even the hyperinflation of 1992 (a 2500 percent surge in prices) and the street fighting of October 1993 failed to undermine the political authority of Boris Yeltsin's regime. This suggests important underlying factors which do pull the Russian political system towards equilibrium. Are there reasons for believing that the latest crisis is qualitatively different?

RUSSIA UNITED?

An important factor conducive to stabilizing the current crisis is the geopolitical status quo. Russia is a huge, sprawling country, spread over 11 time zones. It is impossible to govern Russia efficiently from a

center--but
it is also impossible to govern Russia at all without a center. The people and the political leaders living in the far-flung provinces know all too well that their capacity to influence events in Russia is limited. For them,
national politics is a spectator sport. No regions are in a position to secede--economically, politically or psychologically--so the break-up of the
Russian Federation is highly unlikely. (A cynic would suggest that the collapse of the Soviet Union cautions us to expect the inconceivable.) The Russian people may not yet have developed the attributes of a developed nation-state in the Western sense, but they have a stubborn patriotic identity. The 18 percent of the population who are not ethnically Russian live in geographically isolated locations without an external land frontier
(except for a few isolated nations, most on which are concentrated in the North Caucasus, where one already sees a high level of violence).

A second factor to bear in mind is the relative cohesion of the ruling elite. The vast majority of political leaders in the new Russia came out of the nomenklatura of the old Soviet Union. Boris Yeltsin was a former Politburo member, Viktor Chernomyrdin was a minister, even Sergei Kirienko was the first secretary of the Gorky city Young Communist League (a prestigious position in the communist apparatus). The fact that the new Russian elite came out of the old Soviet one gives its members a certain underlying set of common values and experiences--such as realism, pragmatism, a cynical flexibility when it comes to espousing slogans and an inclination to run politics through personal networks. An important common feature is distrust, even fear, of the masses. Neither the communist nor the liberal wing of the Russian elite have shown any real inclination--or ability--to mobilize popular unrest.

The communist party, despite its threatening rhetoric and grim leaders, is a statist entity whose main goal is to gain access to the Kremlin for its leaders--not to lead a popular revolution. Experience in other countries would suggest that the only other counter-elite potentially able to mount a coup--apart from the communists--would be the armed forces. However, despite the crossover of former General Aleksandr Lebed to the political scene, the Russian army has been discredited, disoriented and demoralized since the collapse of the Soviet Union. Its weaknesses have been exacerbated by defeats in Chechnya, massive budget cuts and a rash of corruption scandals in the top leadership. The cohesion of the ruling elite, then, has not been particularly threatened.

Thus, despite the massive privations the Russian people have suffered in recent years, few would suggest that the country is in what Lenin would call a pre-revolutionary situation. On the contrary, Russia is in a POST-revolutionary situation, its people and institutions exhausted from seventy years of socialist revolution, and a subsequent seven years of capitalist revolution. Stability, then, is a high priority, both for the people and for the elite. But can it be achieved?

THE END OF THE ROAD FOR ECONOMIC LIBERALIZATION

The current crisis is both economic and political. The headlong devaluation of the ruble and stunning default on most of Russia's international debt obligations signal the spectacular failure of the entire economic course that Russia has pursued (by fits and starts) since 1992. Back in 1992 the government of Yegor Gaidar decided to make the ruble exchange rate the nominal anchor of its monetary policy. Huge effort (political, bureaucratic and financial) was put into making the ruble a convertible currency, able to hold its value against the dollar. Other monetary and budgetary targets were sacrificed to that end, with GDP declining for seven straight years. The August 1998 collapse shows that you cannot have a healthy currency in an unhealthy economy.

The ruble's collapse was triggered by the government's reckless reliance on borrowing to cover the federal budget deficit. Back in 1995 the government was still printing money to cover the deficit, in order to keep meeting the basic obligations of the government--paying the wages of miners and teachers, subsidies to farmers, etc. The IMF then came up with a different idea: why shouldn't the Russian government raise money to cover the deficit by borrowing from capital markets--both domestic and international? Thus the government began issuing treasury bills. Growing uncertainty over Russia's political course and economic performance caused the interest rates on these

bills to climb to astronomical heights (peaking at over 200 percent annually). Foreign banks bought about one-third of the bonds, and many more advanced dollar loans to Russian banks, to enable them to buy the bonds. A giant, international Ponzi scheme was in the making. It was highly lucrative

for all involved. The banks crying crocodile tears about losing 80 percent of the value of their loans in the current default do not mention that they made 200-300 percent returns on their money over the past eighteen months.

The Western media also bear a share of the blame in the ruble's collapse. They maintained a steady steam of good economic news from Russia. Most journalists usually cited as authorities on the Russian economy analysts from the Western banks in Moscow--the very people with a vested interest in boosting Russia as an emerging market.

By the spring of 1998, however, with interest payments climbing to 30 percent of federal spending, it was clear that something was amiss. Hence Yeltsin's sacrifice of Viktor Chernomyrdin in March, the main purpose of which was to convince the IMF and Western governments that Russia was going to get serious about economic reform. Gushing praise flowed for the new prime minister, Sergei Kirienko, who was described by a US government spokesman as the most reform-minded since 1991. Memories were short: similarly effusive praise had greeted the arrival of Boris Nemtsov in Yeltsin's March 1997 government reshuffle.

In August, the government's pyramid scheme finally collapsed. The government's inability to raise taxes to cover necessary spending caused investors to be skeptical and to demand ever higher interest rates. As investors started cashing out their loans, the government in July turned to the IMF for an US$18 billion rescue package. The run on the ruble, however, accelerated. With the announcement of devaluation panic hit ordinary Russians, who started dumping rubles at whatever price they could find. Who can say that they were behaving irrationally?

With the collapse of public faith in the ruble, the whole strategy of market transition pursued since 1992 is in ruins. That strategy was based, first, on liberalization of domestic and foreign trade and, second, monetary stabilization through the discipline of ruble convertibility. The third plank of the program was rapid privatization of state assets. Scant attention was paid to building the institutional infrastructure necessary for a market economy, to protecting domestic industries, to maintaining living standards or to encouraging foreign investment (direct, as opposed to speculative). Death, as the adage goes, is nature's way of telling you to slow down. The August collapse will finally force the Russian government to abandon a policy course thus far conspicuous by its failure. It is to be hoped that government leaders will come up with a strategy with more likelihood for success.

That strategy will probably involve capital controls, import tariffs, tighter government regulation of banks and trading companies and state-sponsored investment in key industrial projects. Russia is not a basket-case economy. It still has considerable economic potential. The country earns US$80 billion a year, mainly from the export of oil, gas and metals. The trouble is that a significant portion of these revenues were frittered away on consumption spending, rather than spent building a new manufacturing base. The key task facing the government is to devise and implement an industrial policy to reverse the continuing decline in GDP.

Since 1992 government policy in Russia has mainly involved doing less--lifting controls and dismantling bureaucracies. That was easy, but ineffective. Creating new institutions, and creating wealth, will be a much tougher proposition. It will need a new generation of leaders. The main criteria for selection of this new leadership should not be the ability to speak English or to bluster with the jargon of neoclassical economics. Rather, the task will be to win the trust of officials, managers and workers
inside Russia--a far more daunting proposition. Indeed, it is very possible that the second reform strategy to emerge from the current crisis will be no
more successful than the first. Life does not guarantee success. But Russia has no alternative except to keep trying.

THE MURKY POLITICAL FUTURE

On the political front, the current crisis has stripped Boris Yeltsin of the
shreds of his political authority. But it had already been clear over the last two years that Yeltsin's popularity was very low and that his capacity to actually govern Russia was even lower. He was a bombastic figurehead,

kept in place not because he was doing a creditable job, but simply because no-one could figure out how he could be removed or by whom he could be replaced. Indeed, in the year 2000, as Yeltsin's second term came to an end,
Russia would have had to face the challenge of a transition to a post-Yeltsin political system. The current crisis has merely brought that challenge forward a few years. Given Yeltsin's poor health, the transition might have happened at any time.

But the issue at hand is not simply the departure of an individual. Yeltsin fashioned the entire political system in his own image, concentrating power in the hands of the president and running that office as a network of personal cliques. The Russian parliament had virtually no influence over the
selection of the prime minister or appointment of ministers. In most democracies (but not the United States) when voters elect a parliament they know that the winning parties will form the next government. In Russia's presidential republic (what Igor Klyamkin calls its elected monarchy), there
was no incentive for voters, or parliamentary deputies, to behave responsibly, since the State Duma's role was reduced to that of verbal opposition.

If Russia is to have effective, responsible government, the constitution will have to be changed to boost the authority of the parliament. This is something on which the Communist Party is trying to insist as a precondition for agreeing to the appointment of Viktor Chernomyrdin. The communists, and other parties, fear that to replace Yeltsin without changing the presidential system may open the door to another erratic and arbitrary autocrat. Designing a new constitution in the middle of a financial crisis will not be easy. But no one has ever said that governing Russia was easy.

Given the poor track record of the past seven years, the departure of Boris Yeltsin should clear the way for some new blood to enter the nation's political leadership. Men such as Yuri Boldyrev, deputy head of the Duma's Accounting Chamber, or Sergei Glazev, head of the analytical staff of the Federation Council, are smart, honest individuals who did not jump eagerly on the liberalization bandwagon. Yeltsin has tried in the past to bring in new faces, but the concentration of power in his hands left such people (Boris Nemtsov being an example) without any meaningful role. The success of

efforts to rebuild Russia's political and economic system will hinge on the quality of leadership to emerge. There are few grounds for optimism here. Chernomyrdin may be a symbol of trust and stability at least to segments of the Russian managerial elite (although his public support is in single figures), but he is neither a creative nor a dynamic leader. The current crisis has put Communist leader Gennady Zyuganov back in the spotlight. Zyuganov, alas, is far removed from the type of forward-looking leaders who have risen to lead the reformed ex-communist parties of East Europe. Zyuganov remains a boorish ideologue trapped in nostalgia.

The best Russia can hope for is probably a coalition government under Viktor

Chernomyrdin. Some communists would have to be included, to reflect their strength in the Duma. But, with some luck, they will be kept away from economic positions. The Communist economic strategy would be to try to pour money into Russian arms plants and into farm subsidies, neither of which will solve Russia's economic crisis. Instead, the best bet for Russian economic revival is new investment to stop the decline in output of its oil and gas industry. Rebuilding the energy sector will also be good for the metals industry--Russia's main export earner after energy.

Clearly, such a strategy will appeal to the energy oligarchs who are Chernomyrdin's main backers. But the financial oligarchs will also fall into

line. The latest crisis proved that the bankers, for all their Mercedes and luxury offices, are paper tigers: Without real financial resources of their own, they depended on speculative games, acting as intermediaries with foreign and state monies. Some observers suggest that the bankers are pulling the strings behind the scenes, even suggesting that they deliberately caused the financial crisis to engineer the removal of Kirienko. Such conspiratorial theories are far-fetched. There are more straightforward explanations for the collapse. The crisis has in fact weakened the power of the financial oligarchs--but in doing so it has opened

up a yawning vacuum of power in the Russian political system.

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PRISM

A BI-WEEKLY ON THE POST-SOVIET STATES

THE RISE OF THE RUSSIAN CRIMINAL STATE

By David Satter

Seven years ago, Russia experienced a new dawn of freedom. The Communist Party had been dissolved and Russia appeared ready to pursue a democratic future. The literary critic Yuri Karyakin spoke for many when he said that, "for the first time in this century, God has smiled on Russia."

Few at that time could have foreseen the outlines of what exists in Russia today. Many former communist countries are witnessing a new dawn of progress, but Russia is becoming a cesspool of poverty, intimidation and crime.

The reason is that during the years 1992-1998, which witnessed a massive attempt to remake Russian society and the Russian economy, Russia once again
fell victim to a false idea.

The victory over communism was a moral one. Millions of people took to the streets not because of shortages but in protest over communism's attempt to falsify history and change human nature. As a new state began to be built, however, all attention shifted to the building of capitalism and, in particular, to the creation of a group of wealthy private owners whose control over the means of production, it was assumed, would lead automatically to an enriched society and an emerging law-based state. This notion, dubious under the best of conditions, could not but be disastrous in the case of Russia, because, in a country with a dogmatic tradition and the experience of seventy-three years of sustained moral degradation under communism, the creation of a market economy, like the building of communism before it, came to be understood as an end in itself.

THE "YOUNG REFORMERS"

The reform process was guided by a group of "young reformers" who were graduates of ideological organizations like Pravda, the journal Kommunist and the Institute of the USA and Canada. Denied the highest positions in the Soviet system, they became radical free-marketers without abandoning either their Marxist faith in the primacy of economic relations or their disrespect for the rule of law. When they finally acceded to power, many of the reformers took it for granted that they were morally superior, not because of their fidelity to transcendent values, but because they favored private ownership over socialism. The need to provide a legal and ethical framework for the reform process was ignored.

The young reformers' lack of respect for law had two serious consequences. First, it led them to implement the reforms as rapidly as possible, making the destruction of the old system their first priority. At the same time, their lack of respect led them to treat criminals as allies, assiduously creating opportunities for them to enter the economic mainstream.

The speed of the reform process and its criminalization totally subverted the purposes of democracy. The reformers believed that regardless of how the first capitalists acquired their wealth, they would, once they had amassed their capital, begin to behave like rational economic actors and demand the protections of a state based on law. In practice, however, after seven years of reforms carried out in an atmosphere of total lawlessness, Russia was left with an economy which had no place for the rule of law because its operating principle was not productivity but theft.

HYPERINFLATION

The reforms were dominated by three processes: hyperinflation, privatization and criminalization. Their interaction was to facilitate the takeover of Russia by a criminal oligarchy.

The hyperinflation began on January 2, 1992, after the abrupt freeing of prices, and it quickly divided the population into a minority of the very rich and a majority of the grindingly poor.

Yegor Gaidar, first deputy prime minister and head of the government, predicted that prices would increase three to five times and then begin to fall. In the course of ten months, however, prices rose 300 to 400 times, which led to the impoverishment of the population. Within three months, 99 percent of the money held by Russian citizens in savings accounts had disappeared. Money that had been saved for decades to buy an apartment or a car or to pay for a wedding or a decent funeral was lost, causing crises in the lives of millions of people. When Gaidar was reminded that the Supreme Soviet had voted the previous autumn to index the savings of Russian citizens in the event of price liberalization, he replied that the imbalances in the economy were the fault of the previous regime, not that of the new reform government.

The wiping out of citizens' savings was followed by the appearance of numerous commercial banks and investment funds, which were totally unregulated. While spiraling inflation pushed ordinary citizens to seek ways to conserve their savings, these investment funds and many commercial banks, a large number of which had ties to high ranking officials, launched massive advertising campaigns, promising rates of return on investment of up to 1200 percent. Most of these funds were pyramid schemes. When they collapsed,

more
than 40 million people lost their savings a second time.

While millions of ordinary Russians were losing their savings, however, former Soviet government and party officials began to use their ties to officialdom to accumulate vast wealth. The way, in fact, was well prepared. During the perestroika period, the communist party apparatus had gone into business. Commercial organizations organized under the aegis of the Komsomol
were freed from taxes for five years and allowed to engage in foreign trade.
Since there was otherwise a state monopoly of foreign trade, they were, in effect, allowed to set their own terms in satisfying nearly unlimited demand. The party, in the meantime, used party money, which at the time was indistinguishable from government money, to create commercial banks. Factory
directors began to strip the assets of their factories. They did this by setting up cooperatives, usually staffed with their relatives, which became middlemen for factory business, charging exorbitant prices while performing no real service.

There were several ways of quickly acquiring vast unearned wealth. One was to appropriate government credits. In 1992, inflation created a shortage of turnover capital, which paralyzed production and prompted the issuance of credits to Russian enterprises whose value reached nearly 30 percent of the gross domestic product. With the inflation rate at 2500 percent, these credits were offered at rates of from 10 to 25 percent. Instead of being used to pay salaries and purchase supplies, however, they were deposited in commercial banks at market rates with the difference split between bank officials and the factory director.

A second means of acquiring great wealth was getting permission to export raw materials. Having abandoned the Soviet-era monopoly on foreign trade, the government began to allow anyone to export who could get a license. Because Russian raw materials were bought for rubles at internal prices and sold abroad for dollars, export licenses were akin to permission to print money. In Moscow, they were issued by the Ministry of Foreign Economic Ties, which functioned like a market, granting the licenses in return for bribes with the fee for the license insignificant by comparison with the size of the bribe. Export licenses for products other than oil and gas--iron, steel and non-ferrous metals, for example--were usually given at the oblast level, where officials became de facto business partners in the enterprises they were supposedly regulating.

A third source of wealth was subsidized imports. Out of fear that there would be famine in the country in the winter of 1991, the government sold dollars for the importation of food products at 1 percent of their real value with the difference subsidized with the help of Western commodity credits. The products were sold, however, at normal market prices--with the result that the attempt to relieve the country's anticipated food crisis led to the enrichment of a small circle of Moscow traders. The value of import subsidies in 1992 came to 15 percent of the gross domestic product.

In 1993, the impoverishment of the population and corruption of the reform process spawned a power struggle between the Supreme Soviet, the Russian parliament and the executive branch of government which ended with the dispersal of the Supreme Soviet, October 4, 1993, and the creation of a new political system which greatly accelerated the growth of the criminal business oligarchy.

The abolition of the Supreme Soviet left only one center of decisionmaking in the country, the presidential apparatus, and its members, convinced of their impunity after the October events, became ever more susceptible to bribery.

At the same time, the Russian revenue system was put under the control of the president, and twelve banks which had supported Yeltsin in his confrontation with the parliament were "empowered" to handle government accounts. These banks, by delaying payments on government obligations and using budgetary funds to give short term interbank credits at rates as high as 400 percent, reaped gigantic profits on the state's money. They were soon
joined by both regional empowered banks and enterprise directors who also acquired budgetary funds and began to lend it out at interest. In the meantime, the nonpayment of salaries became a permanent feature of Russian life.

Soon, the leading Moscow banks became the core of financial political groups, each of which was tied to one or another leading political figure. As their power and wealth increased, the banks began to behave like states within a state, acquiring media outlets and establishing their own security services capable of spying on economic and political rivals as well as tapping the phones of thousands of ordinary Russians. The struggle for power
between the financial political groups became the principal determinant of Russian government policies.

PRIVATIZATION

The second process contributing to the creation of Russia's criminal business oligarchy was privatization. This both predated and survived the period of hyperinflation. The privatization which took place first is euphemistically described as "unofficial" privatization and consisted of the
uncontrolled and illegal seizure of the economic infrastructure of the country. "Official" privatization took place in two stages; voucher privatization, from October, 1992 to July, 1994, and money privatization, which began in August 1994 and is still continuing.

Unofficial privatization began during the perestroika period as soon as government organizations were given permission to engage in commercial activity. Government officials, secretly and without any legal basis, began to take over their agencies and reorganize them as private enterprises. In place of ministries, they organized "concerns." In place of the state distribution system, they created commodity exchanges. In place of the

state
banks with their regional branches, they organized commercial banks. The
new
commercial enterprises used the same suppliers, the same buildings and the same personnel. Only the name of the organization changed. The assets of
the
organization, however, became the property of its new "owners."

Wild privatization was followed by voucher privatization, which began in October 1992. Each Russian was entitled to a voucher with a face value of 10,000 rubles (the salary of an auto worker), which was redeemable for a share of Russian industry. The vouchers were of little help to most Russians, who were rarely paid dividends on them and had no say in management even when they invested their voucher in their own factory.

The vouchers were very useful, however, to those who could accumulate them in great numbers. This led criminal and commercial structures to buy them
up
as quickly as possible. In some cases, agents bought vouchers on the street from indigents and alcoholics, often for a bottle of vodka. In other cases, these groups organized voucher funds which advertised on television, promising high dividends, and then either did not pay the dividends or simply disappeared. In this way, criminal and commercial structures accumulated huge blocks of vouchers which they used to buy up the most desirable factories, often at giveaway prices.

In the last days of voucher privatization, the federal property fund put more than a hundred of Russia's most valuable enterprises on sale at once, causing a sharp fall in the value of shares which were scooped up by the voucher funds.

When voucher privatization was succeeded by money privatization in the latter part of 1994, the population was already divided into a handful of organizations which could participate and the vast majority of the population which could not. The pressure to put property into private hands as quickly as possible, however, did not relent and led to the selling off of many of the country's remaining industrial enterprises, including the most desirable, at absurdly reduced prices.

The first step was to set a price for the concerned enterprise. Generally, the factory director and officials of the relevant ministry decided on the price based on an estimate of the cost of the buildings and equipment. These figures could be artificially lowered by using one- or two-year old prices and writing off usable equipment. To discourage outside investors, they could also be artificially raised. Once a price was established, it needed to be approved by the local state property committee, which usually offered no objections.

If a powerful group was interested in the factory, the next step was to eliminate real or potential competition. Since the auction was organized by the local property fund which was subordinated to the governor, the party with influence in the region was in a position to manipulate the auction by falsifying documents or gaining information about the competing offer. In fact, many of the auctions took place only on paper. In cases where auctions were actually held, competing bids often came from firms which worked for the victor. Only rarely did true competitive bidding took place and, if a powerful group was outbid by an insistent competitor, the successful bidder could easily pay for his tenacity with his life.

The prices for which these enterprises were sold stunned Russian society; 324 factories were sold at an average price of less than $4 million each. "Uralmash," the giant machine building plant in Sverdlovsk was sold for $3.73 million, the Chelyabinsk Metallurgical Combine went for $3.73 million, and the Kovrovsky Mechanical Factory, which supplied the Russian army, the Ministry of Internal Affairs and the security services with firearms, was sold for $2.7 million. Telephone companies were sold for $116.62 per line compared to rates of $637 per line in North America and $2083 in Hungary. The "United Energy Systems" power generating company was sold for $200 million. In Central Europe, a company with similar kilowatt production would be worth $30 billion, and in the United States, $49 billion.

Russian oil companies sold tested oil wells for $.04 per realized barrel compared to the North American price of $7.06 per barrel. The Murmansk Trawler Fleet, which consisted of 100 ships, each of which was less than ten years old and was worth $20 million when released, was sold for $3 million. The North Sea Steamship Company was also sold for $3 million.

"LOANS FOR SHARES"

In late 1994, the Russian government, in response to pressure from the World Bank to cut inflation to 1 percent a month and balance the budget, ceased printing money to meet current expenses, including the payment of salaries. The situation became increasingly untenable. To meet its obligations, the government began to borrow money from commercial banks in return for shares in desirable, nonprivatized industries.

In theory, the "loans for shares" program provided for competition for the blocks of shares with the winner determined by who could offer the largest credit to the government. In practice, however, the winner was the bank with the closest "informal" ties to the government, and the scheme, though it facilitated the handover of the most profitable Russian enterprises to the country's oligarchs, provided very little in badly needed revenue to the government. In 1995, for example, the total revenue from the mortgage auctions of twenty-one of Russia's most profitable enterprises was $691.4 million and 400 billion rubles.

Once an enterprise had been "mortgaged," the proprietary bank was free to exploit it. When the government failed to pay back the bank loans, which, given the state's revenue shortage, was always the case, it was up to the bank holding the mortgage to organize the final sale of the concerned enterprise. Not surprisingly, the enterprises, in all cases, became the property of the banks providing the original loans.

In 1995, Oneximbank won control of 38 percent of Norilsk Nickel, the giant nonferrous metals producer, in exchange for a $170 million loan to the government. Two years later, in August, 1997, it paid $250 million to retain the stake. After its repayment of the loan was deducted, the government had gained a mere $80 million for a major share in the plant that produces 90 percent of Russia's nickel, 90 percent of its cobalt, and all of its platinum.

In the meantime, Oneximbank was free to exploit the giant combine as it saw fit. Norilsk Nickel was one of Russia's leading earners of hard currency, but by the spring of 1997, it owed its workers 1.2 trillion rubles in back wages. It was common for workers to faint from hunger. In 1997, for the first time in decades, the children of Norilsk were not sent out of the Polar city for the summer. This raised the question of what Oneximbank was doing with the money it earned from the combine. According to Obshchaya gazeta, Norilsk Nickel was not paying workers their salaries because the bank was involved in highly profitable projects that required enormous amounts of cash. One such project was paying early on promissory notes from the federal government to the regional administrations in return for 20 to 30 percent of the note's face value. Insofar as the government has a debt of more than 50 trillion rubles to employees in the budget sphere, it was often unable to pay on these notes itself. Commercial banks used the income generated by their enterprises to buy these notes instead of using it, for example, to pay their workers.

In fact, the empowered banks, which now control roughly 50 percent of the economy of the country, began to feed continually off the state budget. They collected interest on budgetary funds, used the money to acquire the most valuable Russian enterprises, and then used the revenue from the enterprises to make superprofits by, in effect, lending money back to the government.

The loans-for-shares scheme changed the relationship between major financial institutions and the government. The banks had long enjoyed the protection of patrons in government. For the first time, however, the banks were in a position to put pressure on the government. Officials now had to go to the banks to discuss such questions as changes in interest rates and the size of the government's indebtedness. Having created powerful banks by entrusting them with the government's money, the government became dependent on them.

With the approach of the presidential elections, it became clear that the government not only would not be able to repay the loans it had taken. It would, in fact, need new loans--which led to plans to put some of the country's most valuable properties. An example of these is the Perm Motor Factory, which produces aircraft engines, Aeroflot and Svyazinvest, the telecommunications holding company, up for auction, with the banks that had received shares in the enterprises dictating the conditions.

The banks, for their part, acted to support the government that had enriched them, contributing a minimum of $170 million--and probably a great deal more--to Yeltsin's re-election campaign. The legal spending limit was $1.7 million. In this way, they helped assure Yeltsin's victory.

CRIMINALIZATION

The third process which gave rise to Russia's criminal business oligarchy, and the one which left its stamp on the other two, was the process of criminalization.

As was the case with privatization, the modern stage of criminalization in Russia began during perestroika. The Gorbachev era reforms started with the legalization of "cooperatives," which became the only privately run businesses in the Soviet Union. The cooperatives quickly prospered but, viewed as ideologically illegitimate, they were left without police protection at a time when it was illegal to hire private guards. They therefore became tempting targets for coercion. Gangs began to be formed all over the country to extort money from them.

By 1992, nearly every small business or street kiosk in Russia was paying protection money to gangsters. As a source of wealth, however, shops and kiosks could not compare to the state budget. When, after the beginning of the Gaidar reforms, criminal gangs saw that former Soviet officials were using their connections to acquire vast, unearned wealth, they began to use terror to take over the enterprises that the former officials had established. One sign of the gangsters' activities was the growing number of bankers and businessmen who fell victim to contract murders.

The criminal terror against well-connected Russian businessmen, however, was short-lived. Soon, gangsters, businessmen and corrupt officials began to work together. The gangsters needed the businessmen because they required places to invest their capital but, in most cases, lacked the skills to run large enterprises. Businessmen needed the gangsters to force clients to honor their obligations. Before long, nearly every significant bank and commercial organization in Russia was using gangsters for debt collection.

The bandits' methods were simple. The debtor was contacted and informed that the gang knew his address and all his movements and if he did not pay his debt by a certain date, he and his family would be killed. Usually, this was enough to induce payment, in which case 50 percent of the money went to the gang. In cases where the debtor was unable to make good the debt, he was usually murdered.

The partnership between business and crime did not stop with debt collection. It rapidly became clear that gangsters could be used for many purposes, from eliminating unwanted competitors to "persuading" potential business partners to soften their terms in contract negotiations. The most successful bankers and entrepreneurs became those with the closest ties to criminal structures.

Soon, Russian commercial organizations consisted of businessmen, whose principal skill was a talent for connections, corrupt officials who approved their projects in return for bribes, and gangsters who collected debts and eliminated competition. Increasingly, it became impossible to tell the difference between businessmen and gangsters. An unsuspecting Russian entrepreneur could easily find that in the event of a failure to agree on terms with a seemingly respectable businessman, his "partner" was ready to threaten his life.

RUSSIA'S NEW CAPITALISTS

By 1997, a ruling criminal business oligarchy was in place. A small group of bankers and businessmen, all previously unknown, had gained control of the majority of the Russian economy.

Many have compared Russia's new capitalists with the nineteenth century "robber barons" in the United States. The comparison, however, is misleading. Instead of creating industries and investing in them, Russia's new capitalists have divided up the property of the former Soviet Union and sent the proceeds out of the country, preparing for the day, in many cases, when they will follow their capital to the West.

If profitability in the real economy is about 5 percent, gaining control of former state monopolies or access to the state budget can produce profit margins of several hundred percent. The new capitalists thus directed their efforts not at developing their enterprises, but at bribing high ranking officials--creating an economy where crucial business decisions were based not on economic considerations but on the influence of corrupt ties.

The result for Russia has been social ruin and political instability.

TO BE CONTINUED IN PART 3...

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==================== ATTACHMENT 1 ====================
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RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: CarolinaInTouch (CarolinaInTouch@webtv.net@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 4-SEP-1998 09:47:00.00

SUBJECT: Fwd: RRe: Russia (Please see attachment) @ Greenspan

TO: Erskine B. Bowles (Erskine B. Bowles@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
ERSKIN, I RECEIVED THIS LAST NIGHT FROM A FRIEND FROM DOWNTOWN

COLFAX,N.C. DR SUZANNE STAFORD HAS BEEN WORKING IN RUSSIA FOR AT LEAST

25 YRS. OR MORE. AN UNKNOWING TO SOME I HAVE FOR SINCE '64. ANYWAY I

THOUGHT THAT THIS MIGHT BE OF SOME INTEREST TO YOU AND YOUR STAFF. I

WOULD SUGGEST TO THE PRESIDENT THAT MR. GREENSPAN AND SOME OTHERS GO

OVER AS SOON AS POSSIBLE TO SHOW AND HAVE AN ENCONONIC WORK SHOP IF YOU

MAY SAY SO. AND TAKE SOME CORP. PEOPLE WITH THEM.

WHERE WE WENT WRONG WAS THAT WE LAUGH WHEN THE WALL FALL . INSTEAD

OF TURING ALL OF THE MILITARY PERSONNEL OUT IN THE COLD. WE SHOULD HAVE

INVESTED IN LIKE A RUSSIAN " G I BILL " TO CAPTURE THEIR SKILLS INTO

PRIVATE BUSSINESS. ANDTO TEACH THEM WHAT PRIVATE BUSINESS IS ALL

ABOUT. WE HAD SOME AT THE SCHOOL OF BUSSINESS AT U.N.C AND AT

WESTERN CAROLINA AT BOONE. BUT THEN WE CUT THE $$$ OFF TO SOON. YOU

KNOW ABOUT BUDGET CUT BACKS. AND NOW WE " ALL " ARE PAYING FOR IT.

I COULD GO ON AND ON, BUT----

SORRY FOR BEING LONG WINDED.

RESPECTFULLY,

TONY

Tony and Judy

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

TEXT:
From: SDJStaff@aol.com@INET@EOPMRX@LNGTWY
*To: Whw2511@aol.com@INET@EOPMRX@LNGTWY
*To: carolinaintouch@webtv.net@INET@EOPMRX@LNGTWY
Date: 9/3/98 11:17pm
Subject: RRe: Russia (Please see attachment) @ Greenspan
Attachment
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 by postoffice-172.iap.bryant.webtv.net (8.8.5/po.gso.24Feb98)
 with ESMTP id UAA18408; Thu, 3 Sep 1998 20:19:50 -0700 (PDT)
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 by mailsorter-102.bryant.webtv.net (8.8.8/ms.graham.14Aug97)
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 4 Sep 1998 09:47:30 EDT
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 with ESMTP id <01J1EKD6BYW0003496@PMDF.EOP.GOV> for bowles_e@a1.eop.gov; Fri,

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by mailsorter-105.bryant.webtv.net (8.8.8/ms.gso.08Dec97)
with ESMTP id GAA00642; Fri, 04 Sep 1998 06:47:14 -0700 (PDT)
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================== END ATTACHMENT 3 ==================

=================== ATTACHMENT 4 ====================
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:
Johnson's Russia List
#2345
3 September 1998
davidjohnson@erols.com

[Note from David Johnson:
1. AFP: Illarionov: Russia Default Immiment.
2. Nathan Stowell: Hough and Squire.
3. Whit Trovillion: Re Hough on Fedorov.
4. Richard Colvin: Anti-Semitism.
5. The Nation signed editorial: Daniel Singer, Twilight of the Czar.
6. San Francisco Chronicle: Janine Wedel, U.S. Aid Added to Russia's Woes.
7. San Jose Mercury News editorial: Clinton's platitudes won't put bread on Russia's tables (or disarm its nukes).
8. New York Times: Martin Malia, Russia's Retreat From the West.
9. The Times (UK): A return to the bad old Bolsheviks. Norman Stone fears Lebed may be right about Russia.
10. IntellectualCapital.com: Judy Shelton, Greenspan and Cavallo: Russia's Monetary Saviors?
11. Stephen Blank: Fedorov.]

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#1
Illarionov: Russia Default Immiment

MOSCOW, Sept 3 (AFP) - The Russian government may be forced to default imminently on foreign debt because of drastic revenue shortfalls, an influential Russian economist said Thursday.

Institute of Economic Analysis director Andrei Illarionov said Russia must pay out six billion dollars on its foreign-currency denominated debt this year, but its total budget revenues by year-end are forecast at about 4.5 billion dollars, Interfax reported.

Russia has an estimated 140 billion dollars in foreign debt, including rescheduled former Soviet debt and several eurobond issues.

The Russian government on August 17 announced a de facto default on short-term ruble-denominated debt in a desperate effort to keep the federal coffers from going bankrupt.

Illarionov estimated that investors lost 70 billion dollars because of the decision.

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#2
From: "Nathan Stowell" <nys@aha.ru>
Subject: Hough and Squire
Date: Thu, 3 Sep 1998

I would like to respond to comments by John Squire and Jerry Hough.

Squire writes, "Chernomyrdin seems to have been the lynchpin that held the (rather rickety) arrangement of the past six or so years together" and, "the Communists
have no more idea how to deal with corruption and organized crime than do the current regime." C'mon ! Chernomyrdin, and the current regime ARE the corruption of the past six years. The biggest and most powerful krysha there is. Not only was Victor Stepanovich ineffective in overseeing any meaningful economic reform for the past six years (which is why we're in this whole devaluation mess in the first place) but he's the Grand-daddy of all these "Young Reformer" politicians with their ties to the Oligarchs and respective banks. I remember 4 or 5 years ago, back before anyone knew what an oligarch was, Chernomyrdin was reputed to be one of the richest men in Russian politics from shady GazProm dealings. He's no more qualified than Chubais and Nemtsov were, if not less. A Soviet era nachal'nik doesn't exactly instill confidence of economic experience.

Hough also states that Yeltsin would be best as a "Mitterand handling foreign policy". Would Hough desire a drunken, near-incapacitated, ex-Soviet party boss as his country's representative abroad ? Watch Russian TV a little. He's lied on his taxes, skipped meetings with foreign dignitaries, and made more verbal gaffes than Dan Quayle. Did you see yesterday's press conference with Clinton ? And how many more "colds" can he catch ? Last poll results I heard, his popularity was at 12. That's four points from single digits.

Hough may be able to support his arguements with erudite references to French revolutionary figures and Asian economic models, (although, personally I believe Russia is its own model; if it were anything like what economists in the West suspected 7 years ago, then the miserable distribution of wealth that Squire points to would never had occurred), but he ignores the obvious Russian reality. These men have driven the country into the ground. Americans wouldn't support this type of leadership, neither should Russians. 90% of them are against Chernomyrdin's re-appointment. 90%. That's not, like, a Zhirinovsky following. That's pretty much everyone. Maybe we should listen to them.

****

#3
From: "Whit Trovillion" <wetrovi@email.msn.com>
Subject: Re: Hough on Fedorov
Date: Thu, 3 Sep 1998

Professor Hough's remarks about the sainted Mr. Fedorov are mystifying. Boris Fedorov was the sole voice in the upper levels of the Russian government railing against Viktor Gerashchenko, whom Jeff Sachs called "the world's worst central banker," during the darkest years of hyperinflation in the mid-90's. As Finance Minister and Russian Executive Director at the IMF, Fedorov alone had the credibility and monetarist credentials to deal effectively with International Financial Institutions and western creditors. It is easy to forget that the Russian government had its own Paul Volcker (despite 2500% inflation), but he lacked the power to personally alter the ruinous expansionary policies of Mr. Gerashchenko.

As for his more recent behavior as head of the Russian Tax Service and his particular zeal for GAZPROM, Fedorov's target is appropriate and long overdue. Russia had to get its fiscal house in order fast and GAZPROM was and is the country's biggest tax deadbeat.

****

#4
Date: Wed, 2 Sep 1998
From: "richard j. colvin" <colvinrj@glas.apc.org>
Subject: Anti-Semitism

A brief response to Brian Humphreys' odd comment that, "If there is any anti-Semitism in Russian politics, it is in the belief that Berezovsky controls absolutely everything." (JRL 2336, responding to a NYT letter from JRL 2334 which noted that Kiriyenko and Nemtsov are Jewish and suggested that, "in times of crisis, Russia... finds Jews or foreigners to blame for its failures.)

Odd, because if anti-Semitism were at the root of suspicions about the role of Berezovsky, why is he being singled out and not, say, Gusinsky? Odder still is the notion that it is worth debating whether anti-Semitism is a factor in Russian politics. Has Humphreys never heard a Russian dismiss Yavlinsky as unelectable "because he's a Jew"? Or criticise the former government as "not Russian" because it included Kiriyenko, Nemtsov, Chubais and Primakov? Or even explain the outcome in Krasnoyarsk by noting that Zubov is Jewish, whereas Lebed is a Slav?

The original letter by Susan Gold raises a valid point. As the economy continues to nose-dive, with a street rate of almost 12 rubles per dollar, it seems reasonable to suppose that a search for culprits will soon begin. Someone must be responsible. Why not the usual suspects?

One obvious target is the West. Just today at a press conference in the Duma, Zhirinovsky (himself half-Jewish) was vigorously condemning Yeltsin as a tool of the U.S., Yavlinsky as an American-funded stooge, and the Russian MFA as a branch of the State Department, with Primakov merely a nachalnik upravlyenie. Westerners may snicker. But given the current crisis, perhaps we shouldn't.

****

#5
From: Nationkvh@aol.com
Date: Thu, 3 Sep 1998
Subject: editorial from The Nation

Signed editorial from the September 21, 1998 issue of The Nation - written by Daniel Singer, The Nation's Europe correspondent.

Twilight of the Czar

President Clinton recently paid a visit to a fallen czar. The blundering Yeltsin may be clinging to his throne, but his effective reign came to a close on August 17, a date to remember. The collapse of the ruble and the defaulting on debt payments symbolically mark the end of a period of seven years of calamity leading to the ruin of the countrys economy and the terrible impoverishment of the bulk of the population. It was good on this occasion that Clinton was in the limelight with Yeltsin because the Western powers in general, and the American presidency in particular, share the blame, having all along given their blessing to the policies that brought about the disaster. The trouble is that the Wests financial institutions seem to have learned nothing from the bitter experience. While the battered Yeltsin is wondering how best to survive or to make a safe exithis last-minute refusal to reduce the exorbitant presidential powers may explain why the pact with the opposition collapsed on the eve of Clintons arrivalWestern leaders urge him to stick to the outmoded script. For this purpose, they and their scribblers must rewrite history to whitewash the democratic reformers. It is important, therefore, to set the record straight.

The financial failure is the handiwork of the democrats or so-called radical reformers, not of the apparatchiks. If Viktor Chernomyrdin, the ex-manager of mighty Gazprom, was appointed Prime Minister at the end of 1992, it was because the shock-therapist Yegor Gaidar had rendered living conditions unbearable; and if he was recalled by Yeltsin now, it was because the young reformers, headed by Sergei Kiriyenko, had made a terrible mess. True, Chernomyrdin, Prime Minister for more than five years, is far from innocent. But throughout his term he was under close supervision of a keeper of financial orthodoxymost of the time that darling of the Western establishment, Anatoly Chubais. The other clever attempt is to shift responsibility for the troubles onto the financier Boris Berezovsky and his fellow profiteers. But who made it possible for them to make their millions?

Our Chubais again, who as minister in charge presided over the biggest daylight robbery of the century, Russias privatization. And who rejoiced when the Sinister Seven oligarchs, with his help, used their ill-gotten gains and their mastery of the media to twist the 1996 presidential election in Yeltsins favor?

Clinton must take his knocks for the bankruptcy. Having at the beginning of his first term drawn the now obviously wrong conclusion that Yeltsin was the best bet to keep Russia safe for capitalism, he acted accordingly. Our man in Moscow could do no wrong. When Yeltsin shelled Parliament in 1993, we turned a blind eye. When he won a corrupt election, Clinton hailed it as a triumph for democracy. When Yeltsins reformers tried to balance the budget by delaying payment of salaries to millions of workers, our experts praised their efforts to fight inflation. And so Russiaand wetraveled, blindly and smugly, to disaster.

The problem throughout was that the people we supported were hated by ordinary Russians. With an Orwellian sense of humor, we called democrats those who could never win an open election. Indeed, Yeltsin has a real dilemma. If he does not reach a deal with the opposition, including the Communists, and renominates Chernomyrdin (rejected on August 31 by 253 deputies versus 94) a second and third time with the same lack of success, he is entitled by the Constitution to dissolve the Duma and stage a new election but is most likely to get an even more hostile assembly. The same question of popularity affects the issue of Yeltsins succession and the presidential poll, scheduled for the year 2000 and already dominating the minds of politicians. The only potential candidates with a real following at present are those who have no open link with the rulers: the Communist Gennady Zyuganov and the bluff general Aleksandr Lebed, waiting for his hour in distant Krasnoyarsk; maybe the mayor of Moscow, Yuri Luzhkov, in a pinch. Anybody with a Yeltsin connection cannot get into double digits in the polls, and it is highly doubtful that pots and pots of money and full control of the media would do the trick a second time. During his two-day visit to Moscow Clinton, intervening blatantly in domestic politics, lectured the Russians time and again on the imperative need to continue with the old policies.

Outsiders may seek consolation in the thought that he who pays the piper has at least a strong influence on the score. It is not clear whether the IMF will give Moscow the second slice of $4.3 billion in mid-September, but the refrain played in Washington, London, Paris and Bonn is exactly the same: We are ready to keep on helping the Russians, if they get on with the reforms. Which reforms? Anybody in his senses in Moscow understands that in the tragic condition of its economy what the country must do is relaunch production. For this, industry needs some spur from the state and some degree of international protection. To stick with the old policy is to precipitate a social explosion.

On this occasion, the sternest censor of Russias would-be heretics was Michel Camdessus, managing director of the IMF. This is understandable. Although the $22.6 billion package sponsored by the fund proved to be too little too late, its officials did not think the Russians would dare, or be forced, to suspend payments. The news was not only a shock. It was a dangerous precedent. The message might travel from Moscow to Mexico City and from Seoul to So Paulo.

What if people ceased to believe that to spread unemployment by the millions and poverty by tens of millions is the road to economic salvation? As currencies crash and stocks tumble, as the bubble bursts on Wall Street, the moneybags must begin to wonder whether the fall of the ruble does not foreshadow something more dramatic: the bankruptcy of the system as a whole.

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#6
San Francisco Chronicle
September 3, 1998
[for personal use only]
U.S. Aid Added to Russia's Woes

By Janine R. Wedel

WHEN THE SOVIET UNION abruptly ceased to exist on Dec. 25, 1991, it seemed that the United States finally had what it had always wanted -- the opportunity to introduce quick economic reform that would remake Russia in the West's own image. To this end, the United States embarked upon a course of economic relations with Russia through three interrelated policies:

-- Urging radical economic ``reforms,'' notably privatization;

-- Backing a particular political-economic group to do so;

-- Providing billions of dollars in U.S. and other Western aid, subsidized loans and rescheduled debt.

The United States has consistently supported President Boris Yeltsin and a Russian cadre of self-styled ``reformers'' to conduct these ``reforms'' and negotiate economic relations with the West. U.S. support for Anatoly Chubais and the members of the ``Chubais Clan,'' a group of savvy operators dominated by a clique from St. Petersburg, has bolstered the Clan's standing as Russia's chief brokers with the West. The Chubais Clan -- not the Russian economy as a whole -- has been the chief beneficiary of U.S. economic aid. Working closely with Harvard University's Institute for International Development (HIID), the Chubais Clan controlled millions of dollars in U.S. aid through a variety of organizations run by the Clan. Between 1992 and 1997, HIID received $40.4 million from the U.S. Agency for International Development (USAID) in noncompetitive grants for work in Russia and was slated to receive another $17.4 million until USAID suspended HIID's funding in May 1997, citing evidence that HIID principals were engaged in ``activities for personal gain.''

The preferred method of reform was by top-down presidential decree orchestrated by Chubais. Shortly after Yeltsin became the Russian president, the Russian Federation's Supreme Soviet passed a law mandating privatization. After several schemes were floated,the Supreme Soviet passed a program in 1992 intended to prevent corruption, but the one Chubais eventually implemented contained none of the safeguards and encouraged the accumulation of property in a few hands. This program opened the door to widespread corruption and was so controversial that Chubais ultimately had to rely on presidential decrees, not parliamentary approval, to implement it. This rule by decree not only was undemocratic but frustrated many market reforms. This seems familiar to Russians raised in the Communist practice of political control over economic decisions -- the quintessence of the discredited Communist system.

Privatization was supposed to help Russia reap the fruits of the free market. Instead it created a system of tycoon capitalism run for the benefit of a corrupt political oligarchy that has appropriated hundreds of millions of dollars of Western aid and plundered Russia's wealth. Yet, de spite evidence of corruption and lack of popular support, many Western investors and U.S. officials embraced the ``reformers'' and saw Chubais as the only man capable of keeping the nation on the road to economic reform.

U.S. assistance to Chubais (through Harvard) continued even after he was dismissed by Yeltsin as first deputy prime minister in January 1996. The July 1998 IMF bailout of Russia represents more of the very policies that have produced such abuses. The $11.2 billion aid package for 1998, (with another $7.8 billion funds over three years pledged if Russia ``stays on track''), is supposed to put an end to Russia's financial crisis. Yet only a very few certain political-economic players stand to reap any benefits.

Veniamin Sokolov, head of the Chamber of Accounts of the Russian

Federation, Russia's rough equivalent ofthe U.S. General Accounting Office, argued, ``All loans made to Russia go to speculative financial markets and have no effect whatsoever on the national economy." And it is the Russian people who are responsible for repaying those loans.

Just weeks after the IMF deal was approved, investor confidence hit a new low and the Russian government was forced to devalue the ruble. USAID, which provided Russia with $95.7 million in aid in 1997 and another $129.1 million estimated for 1998, is requesting from Congress $225.4 million in economic aid for Russia in 1999.

If the U.S. government wants to adhere to its own declared objectives of promoting sound economic development and equitable growth in Russia, it must reverse its current policies. The U.S. role in creating a system of tycoon capitalism and the current economic meltdown, coupled with military policies such as NATO expansion, have fueled anti-American sentiment in Russia.

To begin to reverse this, the United States should:

-- Stop its policy of support-at-all- costs for Yeltsin and the Chubais Clan.

-- Recognize that a healthy banking and financial system cannot arise without a revival of production and distribution in the ``real" economy. Measures which emphasize increases in tax collections and reductions in government expenditures under the current extremely depressed conditions simply guarantee accelerated decline of the real economy and social-political chaos.

-- Discontinue support of noninclusive organizations and of bypassing democratic process through decree.

-- Establish ties between President Clinton, other U.S. officials, and a ``wide" cross-section of Russian leadership.

AID TO RUSSIA, 1992-1997
-- U.S. bilateral - $4.9 billion
-- World Bank - $9.8 billion
-- IMF - $14.4 billion Sources: World Bank; IMF; USAID; Wedel's "Collision and Collusion," (forthcoming from St. Martin's Press).

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#7
San Jose Mercury News
September 3, 1998
Editorial
Clinton's platitudes won't put bread on Russia's tables (or disarm its nukes)

PRESIDENT Clinton went this week to Moscow. There he hugged an unpopular president, embraced failed policies, uttered words as worthless as the ruble, then declared the summit a success.

Stay the course, ``play by the rules," and ``reject the failed policies of the past," he urged, repeating platitudes that many Russians have come to see as poisons. In doing so, he cemented in their minds the suspicion that America is either indifferent or contributing to their despair.

Mostly they are cynical and paranoid. To a degree, they are right. Instead of lecturing the Russians, Clinton should have been listening to them, for they know when they've been had: by ex-apparatchiks in cowboy boots and Stetsons who've been plundering the nation's wealth, and by tight-money policies, demanded by the West as the price for a meager bailout.

Most Russians have seen their standard of living plunge. Jobs disappeared; savings vanished. They've been told of the need to sacrifice, but see no glimmer of a payoff. Instead of democracy, they have kleptocracy; instead of a free market, they have free fall. Their tolerance is reaching the limit.

Russia's troubles are home-grown and deeply rooted. Its corrupt bureaucracies and inefficient industries are hard-to-shake legacies of Soviet times. The robber barons pirating the banks are native sons. The economy's collapse reflects a fundamental and simple failing of the Russian government: to raise enough taxes to pay workers and meet debts. Short of cash, it began borrowing at escalating short-term rates until the madcap scheme collapsed, and the ruble fell.

And now, when leadership is imperative and decisiveness is critical, there's paralysis and brinkmanship. An ailing President Yeltsin is threatening to dissolve a communist-dominated parliament, which is refusing to confirm his colorless prime minister, Viktor Chernomyrdin.

America didn't create the current crisis, but it did hasten it. Through the International Monetary Fund and the World Bank, it forced a rapid privatization in a society without a middle class and civil institutions. It imposed fiscal severity without regard for the insecurity and hardship it would create.

The results have been calamitous, and, in a nation with thousands of nuclear weapons guarded by unpaid soldiers and disaffected generals, extremely dangerous. And yet, at least outwardly, Clinton continues to talk the same line, prescribing austerity as the Vitamin C for all of Russia's ills.

The truth is, given the magnitude of Russia's troubles, Clinton has nothing to offer Moscow but talk -- and flexibility. The Russians got a lot of the former and not the latter, which is what they need.

It's becoming clear that the Russians will be changing course, regardless of whether Yeltsin stays or goes and who becomes the next prime minister. The liberal free marketeers are out; the communists are bargaining hard. The next government will take a stronger hand, whether by instituting protectionist policies or by regaining control of critical industries, like oil and gas, that can bring quick currency the government needs.

A stronger central government in Moscow need not -- and probably won't -- lead to a full restoration of state socialism. The young people in Russia wouldn't tolerate that. And Washington need not see a larger role for the communists as a threat to this nation's security or cause for an acrimonious, destructive recriminations over ``who lost Russia.''

As Steven Cohen, a New York University history professor and Russian expert points out, one need only look at the American experience during the Depression and Germany's and Japan's history after the Second World War to understand the importance of strong central government intervention in an economic crisis.

``The Russians are saying, `Bear with us and restructure the debt. We need to do what you did in the '30s, We need to be compassionate,''' Cohen said.

This week, in parliamentary debate, Aleksandr Shokhin, the leader of Chernomyrdin's party, called for a ``Russian Roosevelt,'' a prime minister who would ``implement a new economic course.''

How obtuse and unhelpful for our Democratic president to insist on a

Herbert Hoover instead.

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#8
New York Times
September 3, 1998
[for personal use only]
Russia's Retreat From the West
By MARTIN MALIA
Martin Malia is professor emeritus of Russian history at the University of California, Berkeley, and the author of ``The Soviet Tragedy : A History of Socialism in Russia, 1917-1991."

PARIS -- The only certainty in Russia's present crisis is that it marks the end of an era -- the Yeltsin years for sure and quite probably the end of the theory, widely trumpeted just a decade ago, that market democracy has triumphed as a universal ideal.

In 1991, it was clear that communism in Russia was going to collapse. And there seemed to be little debate that Russia and all post-communist states would follow the Western norms in some form. But now it's impossible to foresee the shape of a post-Yeltsin Russia.

Why? Let's look at our three previous models for understanding post-communist Russia, all of which are now being trotted out to fix blame for the crisis and to propose remedies.

The first model, market democracy, has been advocated by the Clinton Administration and the International Monetary Fund with the support of all Western European governments.

Namely, "reform" means a transition to market democracy through price liberalization, privatization and a stable ruble. In due course, these policies, their advocates predicted, would restructure Russia along Western lines.

President Boris Yeltsin, for all his faults, was deemed indispensable to this policy, for he alone could defend reformers against the forces of resurgent nationalism and neo-communism.

Yet Russia's liberal experiment has now collapsed in spectacular and completely unexpected fashion, leaving the country both bankrupt and without a government -- in a sense, in worse straights than after Communism's collapse.

These events have given greater credibility to the second model, one that embraces a market economy with a welfare state more expansive than any in the West. Supporters of this model have long charged that a quick turn to a strict market economy was inappropriate to both Russian national tradition and post-communist conditions.

Forcing Russia into a market economy, in this view, was to turn over, at fire sale prices, the nation's industries and natural resources to the old nomenklatura and to new robber barons, while dilapidating the savings and pensions of vulnerable citizens, especially the elderly. Within Russia, Grigory Yavlinsky, who heads the political party, Yabloko, has been the most prominent exponent of this position, and in the West it has been propounded by progressives distressed by the Reagan-Thatcher revolution.

The second model, however, has never been tried in pure form. In the mid-1990's, voters in Poland and Hungary, hurting from the turn to a new liberal economy, returned Communists to the leadership in what Adam

Michnik, a Solidarity leader, called a "velvet restoration."

Communists added an affordable safety net to the prosperity generated by Poland's liberal "shock therapy" of 1990, the first cold-turkey transition to capitalism, which was highly successful. In other words, the second model could work only if economic liberalization had already generated the needed funds.

A third model, advanced especially in socialist and academic quarters, is more radical than the second. According to this theory, Mikhail Gorbachev had already made the transition from Stalinist Communism to a market social-democracy.Real reform, therefore, should have continued on that course until "socialism with a human face" was reached at last. In this perspective, Mr. Yeltsin was a spoiler, who turned to unbridled capitalism and ruined the country. This model is a fantasy whose time has passed: The Hungarian and East German communist regimes tried it in 1989 and 1990, and it led to their demise.

In retrospect, it is clear that the debate among these three models has been as much a contest between competing Western economic and social ideologies as a debate about Russian problems -- just as the debate about communism between Western hawks and doves was always in part a debate about how far to the right or the left Western societies themselves should move.

In practice, however, the liberal West could only support a liberal market democracy for Russia. Now that this course has collapsed, we are left with no effective model for making sense of Russia's predicament.

Still, at first it seemed as if the liberal model might work for Russia, which did try to make a real transition to a privatized economy, however diluted by barter and riddled with corruption. At the same time, freedom of expression and elections, however manipulated by the oligarchy, have been accepted as the norm. And the younger generations of Russians, in the cities if not in the countryside, has become genuinely attached to these principles. Moreover, the 20th century record overall is clear: in the long run, there does exist a distinct correlation between free markets and free politics.

So why did the Yeltsin-I.M.F. course end in the present debacle? Why was the Yeltsin regime unable to collect taxes, to pay wages, to regulate its banks, and to fund its debt. Surely, this was not the result of faulty fiscal and monetary policy alone. The deeper reason is the legacy of the Leviathan Soviet Party-state, which when it collapsed left behind only administrative and economic rubble, devoid of the judicial, accounting and police procedures necessary for a modern society -- an institutional abyss not present in Eastern Central Europe when it made its transition to a market economy.

This heritage along with a sporadically doctrinaire liberalism produced the collapse of the Yeltsin experiment. The crisis in Asia only provided the final shove.

So what might emerge from Russia's post-liberal rubble? There will certainly be a significant swing away from free markets to a statist economy -- certainly less than a return to Communism but much more than the earlier "velvet restoration" of Eastern Europe. And this new course will last a long time, perhaps a matter of years.

In embarking on this orientation, the Communists, as the main organized anti-liberal force, clearly hold the strongest hand.

Even the business oligarchy, terrified by the militant liberalism of Prime Minister Sergei Kiriyenko and company, has abandoned the Yeltsin experiment. So, seven years almost to the day after the now-ailing

President banned the old Communist Party of the Soviet Union, the new Communist Party feels poised for a not-so-velvet come back.

Unfortunately, there is no realistic alternative.The liberal Western model has failed -- maybe not because of its inherent flaws -- but to most Russians that doesn't matter. The post-Communist experiment has failed nevertheless. And after a somber, low-key summit, it's clear that a devalued American President and a defeated Russian President can hardly stem this tide.

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#9
The Times (UK)
September 3 1998
[for personal use only]
OPINION
A return to the bad old Bolsheviks
Norman Stone fears Lebed may be right about Russia
The author is Professor of International Relations at Bilkent University, Ankara.

Terminator Two was what the Russian intelligentsia called General Aleksandr Lebed. And he does have something of a Schwarzenegger quality. He has been an excellent soldier, but he also has political sense and has been quite adept at solving the nationality conflicts that have arisen in the territory of the old Soviet Union in the past few years. Mr Lebed could be Boris Yeltsin's successor if he finds the right backers, and journalists have been waiting to see what he has to say about the present crisis.

He has told President Clinton that the situation is "worse than 1917". Of course this is hyperbole. In 1917, Russia was fighting the First World War and there were six million men under arms. But in a sense Mr Lebed is right: Russia is going through what in Leninist parlance would have been called "a revolutionary situation". The old is dying, and the new has not yet been born. Meanwhile, there is no party that can legitimately run government and yet public finances are running out of control. This goes to the heart of Russia's political problems.

Yesterday's International Herald Tribune cartoonist, Danziger, suggests that the Russians will soon be inking their own rouble notes. In 1917 this actually happened. The Provisional Government, which had succeeded the abdicated Tsar, could only use the printing press to create money. It did so at such speed that there was no time to print numbers on the notes, and, if customers tried to take money from a bank, they had to follow the teller's instructions and ink in the numbers. The reason for this was that the State had no mechanism for taxation, just as happens, more or less, today. There was no way of identifying people's incomes since they kept their own books (if any at all).

An income tax was levied in 1915, and there was an excess profits tax, levied for political reasons. Together these paid roughly for a weekend of the First World War. Indirect taxes were not much help either because, in an extraordinary act of self-denial, the Tsar imposed prohibition in 1914 and thus forfeited the main item of revenue in the country. By 1917 it was impossible to raise money by war loan, because the rouble was inflating so fast.

The same is quite likely to happen now. It will have the predictable effects of a great inflation. Those people who have things to sell will hoard them, in anticipation of higher prices. In the summer of 1917 the banks were even speculating in sugar, vast bags of which were kept in the vaults because it was better collateral than anything else. Wholesalers did the same with flour, provoking bread riots.

The working classes, on whom the war depended, found themselves dealing with increasingly worthless paper money. The State's efforts to reform things made them worse: the distribution of meat and grain supplies broke down entirely.

In an inflation, in Russia, this sort of thing happens. We might not now expect conditions of this sort to occur and people are not used to coping. True, in 1990 there were endless alarms about food shortages, but the Yeltsinites in the Moscow machine were hamming it up to discredit Mikhail Gorbachev. Besides, in those days, Russians could stand an inflation because their own savings accounts were stuffed with roubles for which there had been nothing to buy.

Now there is a cash economy, of a sort, there are no savings and, come an inflation, there will be dreadful shortages, some of them man-made.That is very like 1917. Then the Russian crisis was such that no party could contemplate taking responsibility for the mess. The Provisional Government even imagined that it could improve matters by launching what might be called market reforms in a war. It even abolished income tax, and treated the Stock Exchange in such a bizarre way that it boomed in the weeks before the revolution. The moderate Left and Right, were terrified of taking power, and the way was open for Lenin and the Bolsheviks, who expected chaos, and were ready to make a new world. They "solved" the food question by barter and force, and they were able to use the army, which mutinied on a huge scale.

Nowadays in Russia there seems again to be only one party that, having expected the chaos and perhaps also worked for it, is ready to take power: the Communists. This time, too, they might even be able to rely on the army. In 1993, the army saved Yeltsin when the former Soviet Duma members rebelled; that led to the extraordinary, and extraordinarily symbolic, bombardment of the White House.

Mr Yeltsin has hitherto squared the generals, to some extent even by conniving at the shady deals that some have been doing. Mr Lebed, although manipulated by Mr Yeltsin over the Chechen affair and since, will have learnt his lesson, and will keep clear so that he is not tied to a corpse. The army will be in an exceedingly important position, and it will not, this time, be saving Mr Yelstin unless some miracle appears. In 1917, there was also a military saviour in the wings - the lion-hearted General Kornilov, who staged a coup at the behest of elements in the Provisional Government, and was then let down by them. Mr Lebed may very well be turning into a long-delayed Kornilov, but this time one with a brain and a future - of all oddities, in unlikely partnership with the Communists. Bednaya Rossiya - "poor Russia" - as they often say.

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#10
IntellectualCapital.com
http://intellectualcapital.com
Greenspan and Cavallo:
Russia's Monetary Saviors?

by Judy Shelton
September 3, 1998
Judy Shelton is an economist and the author of Money Meltdown. She serves on the board of Empower America in Washington, D.C. She is a regular commentator for IntellectualCapital.com. Her e-mail address is judyshelton@intellectualcapital.com.

Only two people can help Russia get back on the road toward free markets and democratic capitalism at this critical moment. Neither one of them is named Bill Clinton.

The first person who should go to Moscow and offer his credentials and experience for handling banking and financial calamities is Alan Greenspan, chairman of the U.S. Federal Reserve Board. The second person whose insights and expertise hold out the only viable path of economic reform for Russia under such pressing circumstances is Domingo Cavallo, former economics minister of Argentina.

Between the two of them, these men hold the key to Russia's economic and financial salvation. Greenspan and Cavallo are the global champions of sound money. And what Russia needs now -- more than platitudes about the importance of discipline coming from Clinton or imperious warnings issued by indignant International Monetary Fund officials on the inviolability of fiscal targets -- is a working plan to establish a reliable Russian currency.

The currency board cure

In the absence of sound money, all efforts to erect solid finances in Russia are doomed to collapse. You cannot build a stable economy on a foundation of quicksand.

What Cavallo brings to Moscow is his ability to draft a genuine blueprint for a Russian currency board. Cavallo personally shepherded the Law on Convertibility through Argentina's legislative process in April 1991, introducing a new currency, the astral, to replace a peso fast succumbing to hyperinflation. He knows how to convince politicians that monetary sovereignty is meaningless if the money is worthless.

Moreover, Cavallo can vouch for the effectiveness of solid money as a catalyst for restoring economic growth and improving living standards in a nation wracked by financial turmoil. He can testify to the dramatically impressive turnaround in his own country after a currency board began issuing stable new money.

Russia, of course, is not Argentina. Nuclear weapons and a land mass that spans 11 time zones distinguish its profile in the global community. But a currency board may be the only way to stop the financial unraveling and start productive economic activity again in Russia.

Under a currency board system, new units of money cannot be issued unless they are backed 100% by reserves of the key currency. The main advantage of a currency board is that the money it creates has instant credibility. Admittedly, this is because it piggybacks on the reputation of the reserve currency.

Argentina uses the U.S. dollar as its reserve asset, as do Hong Kong and other nations that have adopted some form of a currency board system. Russia should do likewise -- despite pressures that undoubtedly will arise to choose the euro to assuage political sensitivities.

The hard reality is that Russia is in severe straits; it does not have time to wait for the as-yet-unborn euro to establish itself as a legitimate rival to the dollar. Besides, average Russians long ago came to trust the dollar as a store of value.

A respected monetary statesman

That brings us to Greenspan and the extraordinary level of monetary integrity he could bring to the volatile Russian currency situation. Unlike Clinton or members of his administration -- including Treasury Secretary Robert E. Rubin and Deputy Treasury Secretary Larry Summers -- Greenspan is not perceived as being overtly political. Communist believers who are unable to stomach policy advice from Washington politicians might be willing to abide by Greenspan's pragmatic recommendations.

Greenspan represents pure competence in matters of money and banking. He also would provide the ultimate inside connection to the global financial community and in that sense ensure that Russia's new monetary regime would comport with the requirements and expectations of international capital markets. If Greenspan put his own seal of approval on a new Russian currency issued through a currency board and backed by dollar reserves, it would be worth its weight in gold.

The beauty of such an approach is that it would require no huge outlays of fungible resources that can be easily misdirected into speculators' pockets; it would carry no ideological message other than the sanctity of sound money; and it immediately would introduce a stable currency immune to speculative assault.

Most important, a currency board could be established in weeks. The commercial banks that would emerge in its presence would be essentially private and not entitled to any form of government bailout -- exactly suited to Russia's need to foster productive entrepreneurial loans rather than encourage more currency speculation and equity market scams.

Any foreign investor could invest in Russia with confidence, knowing that financial assets denominated in the new currency could be converted into dollars. Meantime, the new currency would establish the monetary base to justify increasing levels of financial investment in productive economic opportunities.

Testing the capitalistic commitment

Currency boards have come under some suspicion in recent weeks because of the troubles in Hong Kong. In a show of bad judgment stemming from frustration, Hong Kong monetary authorities purchased huge amounts of equity shares to frustrate attempted "manipulations" by speculators who have learned how to game the Hong Kong system with its automatic interest-rate hike triggered by sales of Hong Kong dollars.

But the real risk in creating a Russian currency board is that it might prove altogether successful in restoring economic stability. A free-market economy is difficult to maintain when the currency is crumbling, but sound money by itself does not guarantee democratic capitalism. Russia could potentially end up as a more robust nation for resurgent communism.

In a desperate move, Lenin confronted hyperinflation in 1922 by issuing the gold-backed chervonet as an alternative to the disastrous Soviet bank notes that had come to be known as "paper trash." Though Lenin risked reminding citizens of the more stable monetary practices associated with czarist rule, his bold gamble to dump the Soviet money and adopt a new currency no doubt saved the Bolshevik government.

Of course, there is always the chance the outside world will offer no technical support to launch a new Russian currency. Western leaders could choose to merely observe continued economic deterioration from the sidelines, providing little more than platitudes about "staying the course" to disillusioned Russians.

If so, we should be prepared to see the cynical termination of a free-market experiment that never had a decent chance to succeed. For the West, such a passive approach would demonstrate to the world that we do not have the courage of our convictions when it comes to betting on capitalism over communism as the preferred choice of people who have been exposed to the worst of both.

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#11
From: "Blank, Stephen J. Dr." <BlankS@awc.carlisle.army.mil>
Subject: fedorov
Date: Thu, 3 Sep 1998

If someone believes Fyodorov is the man of the hour I'd suggest he read the recent U.S. News and World Report article on the Russian diamond smuggling scam that showed how far Fyodorov is, like everyone else, implicated in massive corruption. What Clinton and others appear to have overlooked or dismissed is that nobody there seems to have any conception of an interest other than his own. Both sides appear to be pushing for a showdown in which everything is risked so that they can get their interest at the expense of everyone else. This is certainly true for the banks and of the political elite in general. This goes back to the privatization of the state, a concept I originated two years ago to the best of my knowledge but which is now commonplace. If the state is essentially the elite's private property we are back in a Hobbesian universe and it is no surprise that Yeltsin has already started preparing the armed forces for whatever might ensue. Contrary to the predictions in number 2344, nobody knows how the multiple militaries might respond to a contingency, and nobody can answer that without first specifying the contingency at hand. Since it is easier to unleash force than to bring it to an end, the continuing obduracy of both sides may yet result in the unthinkable and perhaps worse, the unpredictable.

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================== END ATTACHMENT 4 ==================

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: rwockner (rwockner@netcom.com@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 9-SEP-1998 00:02:00.00

SUBJECT: WOCKNER/Vancouver travel article

TO: Richard Socarides (Richard Socarides@EOP [UNKNOWN])
READ:UNKNOWN

TO: Stuart D. Rosenstein (Stuart D. Rosenstein@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
VANCOUVER - PRETTY, WITTY AND GAY (737 words)

by Rex Wockner

VANCOUVER -- Canada's third-largest city is stunningly beautiful, impressively cosmopolitan and multicultural, and sufficiently gay for a happy homo visit.

Vancouver has often been called one of the prettiest cities in the world and it's no exaggeration. The mountains, water and high-rises come together to form a gripping visual symphony.

The key sectors of the city -- downtown and the West End -- abut each other and are very pedestrian-friendly. In the summer -- Vancouver's dry season -- downtown's Robson Street and the West End's Denman Street pulsate with life well into the night. Gay street life is centered on Denman and Davie Streets, which intersect at the southwest corner of the West End.

Happening gay bars include The Royal Hotel pub (especially Fridays after work; bear-friendly), the Dufferin Hotel pub (very mixed crowd with dancing, strippers and drag shows), three bars within the Heritage House Hotel (neighborhood-type; bearish and leathery on weekends) and Numbers, a multi-level cruise and dance bar in the middle of the Davie scene. All are within walking distance of each other except the Heritage House which is east of downtown in an unsavory neighborhood. (It's about the only unsavory neighborhood in Vancouver which is otherwise quite tidy.)

Other gay options include four bathhouses and two very cruisy parks: beautiful Stanley Park (specifically, Lee's Trail) and Central Park in suburban Burnaby. Lots of locals love gay, nude Wreck Beach, near the University of British Columbia (ask a local for detailed directions), but being from San Diego, where we have a real gay nude beach, I was unimpressed. There's no actual beach to speak of, the water is not swimmable, and the views are among the least interesting in the city. It is, however, a perfect place for virtually unlimited casual "public" sex.

Of course, while there are plenty of spots for cruising, English-speaking Canadians tend to be relatively timid cruisers. Canadian politeness and reserve are wonderful for such things as no one ever cutting you off in traffic but it's a tad frustrating if you're trying to meet a man. My suggestions: Take the initiative. And persistence can pay off.

Another somewhat gay area is up-and-coming Commercial Drive -- which I dubbed "The People's Republic of Commercial Drive." The strip between Parker and Broadway is a wonderful mix of socialists, lesbians, earthy-crunchy fags, slackers, new-agers, ethnic cuisine and much more. It's the heart of counter-cultural Vancouver which, like much of English-speaking Canada, is otherwise peopled by relative conformists -- at least from an American perspective.

But don't get me wrong: I love Canada. I love the politeness, the order and competency, the exchange rate (the gringo dollar is worth $1.53), the food (good & cheap), and ... well, the Canadians. Canada is more evolved than the U.S. I suppose it's easier to make progress with one-tenth the population and a less socialism-phobic history. British Columbia has one health-care system and thus drastically lower premiums (around $26 a month) than we do in the U.S., one car-insurance company and thus lower rates than we do, etc. When you remove the profit motive from certain necessary services, often they can be provided to more people for less cost than in a free-market environment. Oops, I'm preaching.

Here then is my list of six cool things to do on a quickie visit to Vancouver:

* Circumnavigate Stanley Park on foot

* Eat dim sum in Chinatown

* Stroll Robson Street

* Go to The Royal pub Friday evening at 6:30

* Drive across the Lion's Gate Bridge

* Eat sushi on Denman Street.

A good daytrip, summer or winter, is the drive to the foofy ski resort Whistler. While the pre-fab and annoyingly expensive town itself is completely soul-less, the series of chair lifts to the mountaintops are an awesome journey and the views from the summits are well worth the pricey lift ticket. I even saw two grazing black bears on the way up.

Victoria, the provincial capital on Victoria Island, is a second day-trip option (get an early start). While the city itself is way too touristified, the ferry journey from Tsawwassen to Swartz Bay is remarkable as the huge BC Ferries ship winds around scores of scenic islands. Day trips are also possible to various smaller islands.

All in all, Vancouver makes for a trouble-free, English-language, gastronomically delightful, aesthetically enchanting getaway. I liked it so much I stayed three weeks.

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

TEXT:
RFC-822-headers:
Received: from conversion.pmdf.eop.gov by PMDF.EOP.GOV (PMDF V5.1-9 #29131)
 id <01J1KZIM9RLC0075FL@PMDF.EOP.GOV>; Wed, 9 Sep 1998 00:06:34 EDT
Received: from Storm.EOP.GOV by PMDF.EOP.GOV (PMDF V5.1-9 #29131)
 with ESMTP id <01J1KZIFV37400783S@PMDF.EOP.GOV>; Wed,
 09 Sep 1998 00:06:26 -0400 (EDT)
Received: from netcom18.netcom.com ([192.100.81.131])
 by STORM.EOP.GOV (PMDF V5.1-12 #29131)
 with ESMTP id <01J1KZI0SR16000ARN@STORM.EOP.GOV>; Wed,
 09 Sep 1998 00:05:58 -0400 (EDT)
Received: (from rwockner@localhost)
 by netcom18.netcom.com (8.8.5-r-beta/8.8.5/(NETCOM v1.02)) id VAA16966; Tue,
 08 Sep 1998 21:02:19 -0700 (PDT)
================== END ATTACHMENT 1 ==================

RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: Minyon Moore (Minyon Moore@EOP@LNGTWY@LNGTWY [UNKNOWN])

CREATION DATE/TIME:23-SEP-1998 11:09:00.00

SUBJECT: census clips

TO: Barbara D. Woolley (Barbara D. Woolley@eop [UNKNOWN])
READ:UNKNOWN

TO: Robert B. Johnson (Robert B. Johnson@eop [UNKNOWN])
READ:UNKNOWN

TO: William H. White Jr. (William H. White Jr.@EOP [UNKNOWN])
READ:UNKNOWN

TEXT:
Message Creation Date was at 23-SEP-1998 11:09:00

---------------------- Forwarded by Minyon Moore/WHO/EOP on 09/23/98 11:09

AM

Robin J. Bachman

09/23/98 09:43:26 AM

Record Type: Record

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

cc:

Subject: census clips

UPCOMING EVENTS THURS. AND FRIDAY:

FNS DAYBOOK

September 25, 1998

EDITION: FUTURE EVENTS

SECTION: U.S. HOUSE OF REPRESENTATIVES - FUTURES

LENGTH: 107 words

HEADLINE: EVENT: MEETING - COMMERCE DEPARTMENT (DOC), ECONOMICS AND STATISTICS
ADMINISTRATION, SECRETARY'S 2000 CENSUS ADVISORY COMMITTEE (F.R. PAGE 46998)

SUBJECT: COMMERCE DEPARTMENT (DOC), Economics and Statistics Administration,
Secretary's 2000 Census Advisory Committee (F.R. page 46998) meets. The committee will continue to review and discuss Census 2000 Dress Rehearsal operations and procedures as well as Census 2000, including plans for the language program.
-- September 25, 1998
LOCATION: Embassy Suites Hotel, 1250 22nd Street NW, Washington, DC
CONTACT:
Maxine Anderson-Brown, 301-457-2308

TIME: 8:00 am

FNS DAYBOOK

September 24, 1998

EDITION: FUTURE EVENTS

SECTION: U.S. HOUSE OF REPRESENTATIVES - FUTURES

LENGTH: 107 words

HEADLINE: EVENT: MEETING - COMMERCE DEPARTMENT (DOC), ECONOMICS AND STATISTICS
ADMINISTRATION, SECRETARY'S 2000 CENSUS ADVISORY COMMITTEE (F.R. PAGE 46998)

SUBJECT: COMMERCE DEPARTMENT (DOC), Economics and Statistics Administration,
Secretary's 2000 Census Advisory Committee (F.R. page 46998) meets. The committee will continue to review and discuss Census 2000 Dress Rehearsal operations and procedures as well as Census 2000, including plans for the language program.
-- September 24, 1998
LOCATION: Embassy Suites Hotel, 1250 22nd Street NW, Washington, DC
CONTACT:
Maxine Anderson-Brown, 301-457-2308

TIME: 8:15 am

The Washington Times

September 22, 1998, Tuesday, Final Edition

SECTION: Part A; COMMENTARY; Pg. A22

LENGTH: 1295 words

HEADLINE: Speaking in plain English

BYLINE: Balint Vazsonyi

BODY:

Democratic congressional leaders have joined with others in calling for plain language in dealing with President Clinton's affairs. The following is an
attempt to explore how far we might go in doing just that.

The most disturbing questions staring us in the eye are these: Why do

some
people want the Clintons to go, no matter what? Why do others want the Clintons
to stay, no matter what? Why has not a single person has resigned from the Cabinet, the White House staff, the legal team, the general entourage? Finally,
why does a majority of Americans continue to answer pollsters as if they had
been indoctrinated under hypnosis in Manchuria (as in "The Manchurian Candidate")?

We hear much talk of "Clinton haters," "right wingers" and other Ken Starr-like aberrations who "just want to bring down this president." There is
truth in that. A sizable constituency believes that every day Team Clinton remains in the White House adds to the clear and present danger for this country
- its political persona, its institutions, its national security.

For these Americans, l'Affaire Lewinsky is simply the first time Team Clinton didn't get away with murder - speaking symbolically, of course - and
therefore an opportunity not to be missed. Some plain speaking about this might
be both welcome and instructive.

Then there are those desperate to hang on. To what? In plain

English, to
the socialist agenda. A couple like the Clintons that feels contempt for
the
people, for the Constitution and for the concept that government officials
are
public servants has been a priceless as-set for the cause. Respect for the
people, the Constitution, the idea of service in-terferes with socialist
realism. When the Clintons were elected to a second term, socialism's
triumph
seemed close enough to touch. The faithful were even willing to watch the
president move to the center and his wife step into the shadows as they
ex-changed winks of understanding with one another.

Only the de-termination to change this country from top to bottom
explains
why Mario Cuomo swapped intellectual honesty for hysterical demagoguery on
CNN's
"Larry King Live" (Sept. 14). Only the determination to change this
country
from top to bottom explains why Maxine Waters committed the Congressional

Black Caucus to a collision course with the rest of America on NBC's "Meet

the
Press" (Sept. 13), declaring that "the entire American legal system is on trial, the Constitution is on trial, Ken Starr is on trial, Congress is on trial" (everything and everyone but the president). And only the determination
to change this country from top to bottom explains the current campaign for censure.

The fact that censure is not part of the constitutional process is being
carefully hidden from Americans bombarded daily by pollsters. Censure is but the
latest attempt to change the Constitution de facto, just as Mr. Clinton has
been trying with his sampling scheme to subvert the census, his Executive Order
13083 to do away with the checks and balances in our system, or his national ID
card to keep tabs on every adult in the land.

Censure, the newest brainchild of America's socialists, was carefully launched into the public consciousness as if it were a legitimate course of action, then nurtured by the media, finally peddled by pollsters - who can do so
because the founding documents have been removed from so many of our schools and
most people will not bother to check. The package now includes a

suggestion by
the editors of the New York Times (Sept. 16) that Mr. Clinton pardon himself.

Even more troubling is the absence of resignations and the reticence of many
in public life to deliver the level of condemnation that could at last dampen
the laughter fits the Clintons must be having nightly at our gullibility. Some,
as we have seen, hang on for the cause. For others, there is a more ominous
explanation.

Message from the White House: If Americans insist on repossessing their country, there won't be a whole lot left of it. Before they are through, no
person of stature -dead or alive - will be left standing. Deploying a network
of operatives, they have been systematically destroying every image from America's past and smearing enough among the living to make the rest tremble.
In case someone has failed to notice that the path of Team Clinton is littered
with corpses - speaking symbolically, of course - henchmen such as James Carville or Bob Mulholland of the Democratic National Committee serve notice in

plain English. Most people prefer not to see their lives and livelihood destroyed. This explains both the muffled criticism and why otherwise decent
and capable persons have not resigned. The credible threat of personal destruction has been the Clintons' tool to stifle the democratic process. "Come
on," they beckon, "who wants to be the next Dan Burton or Helen Chenoweth?" And,
"Welcome to your sunset, Henry Hyde!"

But the majority of Clinton appointees knows deep down that their time in
the stratosphere of government has little if anything to do with merit and is
solely contingent on an administration using the classic socialist recipe: mediocre people who have a score to settle with society. Gestures of personal
honor and valor are not part of their makeup.

And what of the sand in which two out of three Americans appear to have buried their heads? Perhaps it has to do with the two untypical elections of
1992 and 1996. The former was carried by outright lies about the state of the
union - not the standard partisan exaggeration of virtues and failings, but outright lies. The latter is reputed to have been achieved through the kind of

fund raising that borders on treason by the president and felonies by the vice president. Is the electorate acting as the person who had made a colossal boo-boo and, out of sheer embarrassment, insists on having done the right thing?

Those of us with an unshakable faith in the ultimate political wisdom of the American people might consider a message that does not show up in focus groups and street interviews. This country is supposed to be a representative republic. The constitutional duty of dealing with the president's conduct rests with Congress. Perhaps - am I naive? - we are witnessing an instinctive desire for a return to constitutional government. "Don't ask us to do what we have elected Congress to do," the people might be saying.

And so it is a time for honor and valor in Congress. While the people say, "You deal with it," the White House says, "Try, and you will regret it."

Damage to individuals, as well as to our system of government, will continue every day this administration remains in power. The only way to cut America's losses is through acting with dispatch. Time is not on our side. While everything we hold dear is at risk, damage to our political institutions serves the socialist agenda. Having successfully divided our nation into opposing camps, socialists have already destroyed our common political ground on which to proceed in the national interest. Adding insult to injury, they now cry foul because we are "too partisan," like arsonists shouting, "Fire!"

Speaking on CBS' "60 Minutes"" on Sept. 13, Linda Bloodworth-Thomason (she and her husband are both intimate friends of the Clintons) did not mince words. "[Mrs. Clinton] knows what road she is on, and she will never get off that road. Ever!" And why the couple would never split up? "They have a country!" Mrs. Bloodworth-Thomason exclaimed in plain English.

In equally plain English: No, it's our country.

And we want it back.

Balint Vazsonyi is the author of "America's 30 Years War: Who Is Winning?" published by Regnery.

The Washington Post

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HEADLINE: One Bill, Indivisible

BODY:

MUCH OF THE rest of this year's congressional business seems likely to
be
transacted in either one vast end-of-session bill or just a few. The
Republican
leaders continue to point in that direction. They see the device as a way
not
just of forcing the president to bargain but of easing past some demands of
their own harder-lining members as well. Sorry to disappoint, they will
say, but
we couldn't fit it in and still get home in time to campaign.

These giant bills tend to be a bad way to legislate. The items that go
to
make them up aren't debated on their individual merits. Unlike items
instead are

traded, one for the other, as if they were comparable -- one side's tax cut for the other's spending increase, the administration's position on replenishing the International Monetary Fund in return for the Republicans' position on conducting the Census. The result is often incoherent except in the political sense that it gives both parties something to brag about. And the fine print of the big bills is always fertile ground for mischief.

The 13 regular appropriations bills, none of which has been signed into law, will make up the bulk of the mega-legislation. The fights that have held these up have had to do partly with money -- the appropriations caps in last year's balanced budget agreement were tighter than either party found it politic to acknowledge at the time -- and partly with ancillary issues. The Republicans, if they can achieve the House-Senate agreement on financing that has eluded them all year, may try to include a tax cut as well. And there may be more.

In both houses, there has been a stockpiling of items for inclusion. In the House last week, Republicans kept off the floor, and out of the foreign operations appropriations bill, a Democratic amendment to provide the $ 18 billion the administration wants for the IMF. But business groups seeking to ward off a further decline in the world economy are pushing the reluctant Republicans to reconsider, as several indicated they likely will in the final bargaining. What a way to make international economic policy. In the Senate, the Interior Department appropriations bill was likewise set aside after Democrats tried to use it to force a vote on managed care reform. They'll be back on that one.

The worst possibility is a budget break-out. The Republicans would agree to some of the president's spending requests if he would agree in turn to all or part of their tax cut, both to be financed out of the projected surplus. It isn't clear such an offer will be made, but if it is, it isn't as clear as we would hope that it will be rejected, either.

Whether to permit the use of sampling and other statistical techniques to prevent another undercount mainly of the poor and minority groups in the Census will also be an issue. The administration favors adjusting the figures,

but Republicans are opposed in part for fear that it will cost them seats

in the

next redistricting. A bill to open up already limited subsidized housing to

lower-middle-income families at the likely expense of the poor may also

end up

in the mix, and who knows what else? One senator proposed last week that

the

Interior appropriations bill be used as a vehicle for rewriting the

Endangered

Species Act.

These folks have spent pretty much the entire year not passing bills

they

should have. The danger the next three weeks is the reverse.

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SUBJECT: Early Report 9/29: GERMANY ELECTION AND MIDDLE EAST PEACE

TO: Doris O. Matsui (Doris O. Matsui@eop [UNKNOWN])
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TEXT:
The German elections remained the major story in headlines in Europe and abroad. The majority of commentators in Europe, while respectful of Kohl's achievements, viewed the victory of the SPD as an opportunity for new ideas and policies. Belgium's independent Catholic De Standaard summed up the position of many editorials, "With Schroeder, not only a new political constellation, but also a new generation is coming to power." While acknowledging that the new German leader remains somewhat of an enigma, the paper added that "the most important thing may be that he manages to blow a new wind over the country and thus give Germany a new impetus." Speaking on privately-funded Europe One radio, Catherine Nay asked the question implicit in all commentaries: "What kind of European will Schroeder be?" While left-of-center Le Monde and President Chirac in right-of-center Le Figaro see Schroeder's arrival as "a new opportunity for Europe not to be missed," many commentators are baffled by the type of socialism the new chancellor will embrace. The particulars of Schroeder's agenda and his ability to implement it will depend to a great extent, several pundits felt, on the viability and the "colors" of the coalition he assembles, especially the role that the Green party might play. In the view of many in the media, Schroeder joins Lionel Jospin in France and Britain's Tony Blair, who collectively embrace the "down-to-earth politics" of the new center-left, characterized by a pragmatic approach to addressing their

countries' economic and social woes. Spain's El Pais viewed Schroeder as "at the center of the new center-left that has achieved European dominance." Outside of Europe, editorials echoed these themes, signalling the emergence of new leaders who "advocate a third way between the free market and state control."

CLINTON-NETANYAHU-ARAFAT MEETING: MIXED ASSESSMENTS

Media commentators from the Middle East and Europe reacted cautiously and with mixed assessments to President Clinton's meeting yesterday at the White House with Israeli Prime Minister Netanyahu and Palestinian leader Arafat. Israeli commentators noted the "visible hostility" between Mr. Netanyahu and Mr. Arafat at the meeting but said their "first meeting in over a year does amount to something." One Egyptian pundit said President Clinton was unable to pressure either leader, but another referred to the administration's "intensive pressure" on Mr. Arafat not to announce Palestinian statehood in his speech at the UN. Jerusalem's independent, pro-Palestinian authority Al-Ayyam judged that "the moderation of Arafat's speech before the UNGA does not mean he is deviating from the goal." Pundits in France and Spain also noted that Mr. Arafat had promised to "tone down his language" at the UN and argued that "the only concrete result [of the meeting] is the step backward taken by Arafat regarding a unilateral proclamation of a Palestinian state." Analysts in Britain and Spain spoke of "the first signs of hope" and said that "insistent and determined pressure" from the White House had pushed the peace process "slightly forward." Several commentators noted the Clinton administration's need for a "serious" foreign policy victory.

BRIEF -- Brazilian Government Moves With 'Caution' And 'Determination'

EDITORS: Bill Richey and Katherine Starr

SCHROEDER'S VICTORY CEMENTS GENERATIONAL SHIFT IN EUROPE

GERMANY: "Schroeder Must Represent The Middle"

Ulrich Depenbrok told listeners on regional radio station Westdeutscher Rundfunk of Cologne (9/28): "Such a landslide, and such a disaster for the CDU/CSU were not foreseeable. After 16 years of the Kohl era, this is an historic change.... [The SPD] is now moving towards a Red-Green coalition.... For the voters, Gerhard Schroeder seemed to guarantee change without too many risks.... For Schroeder, this means that he must guarantee that Red-Green will not 'unhinge' the FRG, and that he represents the middle that put him in office. At the moment, both sides seem to be aware of the fact that care and the ability to make compromises are now required. Time will tell whether there is sufficient mutual understanding to outlast even one term. In the long run, Schroeder will not have an easy job - neither with his party nor with his coalition partner."

"It's The Economy"

Eckhard Fuhr wrote in a front-page editorial in right-of-center Frankfurter Allgemeine (9/29): "The fate of the economy will also be the fate of a Red-Green government. Economic prosperity and progress in employment are the prime criteria for the (new government's) success. If the SPD and the Greens fail in their economic policies, it will matter little to them that there are people who dream about a different republic in Germany. We can only hope that the pressure to succeed, along with economic realities, will be strong enough to keep ideologues on both sides in check."

"The Triumph Of The SPD"

Kurt Kister maintained in centrist Sueddeutsche Zeitung of Munich (9/28): "The degree of the SPD victory becomes very apparent when we look at the three most important institutions in our democracy. In the Bundestag, there is now a comfortable majority of the SPD and the Greens. In the Bundesrat, the SPD has dominated since 1991. And in the Federal Assembly (which elects the future federal president), it also has a majority of votes. 1999 will be a Social Democratic year. In January, Chancellor Schroeder will take over the presidency in the European Council and will be welcomed by a number of 'left-wing' EU premiers. The reforms of the Schroeder cabinet will pass the Bundesrat. In May, the Federal Assembly is likely to elect an SPD member as the next federal president."

"The Miracle"

Roderich Reifenrath claimed in an editorial in left-of-center Frankfurter Rundschau (9/28): "This necessary new beginning of a new reality is closely linked to the historic change of the seat of government from Bonn to Berlin. Along with this, European national states are now controlled by governments that have a social democratic foundation. This is a clear expression of the will to adjust future policies to the needs of ordinary citizens. This election outcome also expresses the deeply-seated wish that the basis for state activities should not only be the world of big money-- or to put it differently--not to expose whole continents to the irresponsible momentum of vagabond capital. A social democratic Europe could set new standards in politics."

"A New Era Will Begin"

Centrist Leipziger Volkszeitung foresaw (9/29): "A new era will begin in German post-war politics with the upcoming move of a Red-Green chancellor from Bonn to Berlin and with a CDU/CSU that runs the risk of losing its identity as a mainstream party, irrespective of the length of a Schroeder government. Nine years after the peaceful revolt in the East, which did

not result in profound changes in politics in Germany, the Bonn Republic was transformed into the Berlin Republic last Sunday. This happened in a spectacular and revolutionary manner.... We are now faced with a radical change in politics. And in this respect, the Greens will turn out to be reliable partners. For them, the issue is all or nothing."

"Updating SPD Ideals"

Right-of-center Saechsische Zeitung of Dresden (9/29) opined: "Unlike his idol Tony Blair, the successful SPD candidate missed the chance to prepare the social democrats for his chancellorship. Among SPD members, many still have outdated ideals such as shortening the workweek or the principle of subsidies for everyone. They will try to raise their voices and assert their views when the discussion focuses on the top item on the agenda: the fight against unemployment. In order to turn back these claims, Gerhard Schroeder will be dependent on his party leader Oskar Lafontaine."

FRANCE: "What Type Of Socialism For Schroeder?"

Nicolas Beytout on privately-run RTL radio told listeners (9/29): "Depending on whether Schroeder opts for more socialism or more social democracy, he will be more in tune with Jospin or, on the contrary, with Tony Blair. This could have important consequences for Europe's construction.... An alliance between Schroeder and Blair on a more modern and liberal vision of socialism could have important repercussions."

"An Opportunity Not To Be Missed"

Jean-Marie Colombani in left-of-center Le Monde (9/29) held: "Kohl has made Germany without undoing Europe.... He relentlessly served the Franco-German concept of a European identity.... Today's Germany...is a nation without complexes, but with only relative power in the EU.... Germany must recognize that today it cannot hope to achieve a worldwide presence other than through the EU.... Yet France is already showing concern...that Germany may turn its back on the Franco-German idea of Europe and replace it with a liberal trade policy relying on a three-way alliance between Washington, London and Berlin. For Europe, the arrival of Schroeder is an opportunity not to be missed.... There is in Europe today a situation without precedent which must lead to striking a deal between social issues and the market economy."

"A New Opportunity"

President Chirac in right-of-center Le Figaro argued (9/29): "While some may wonder if the basis of the Franco-German relationship has lost its reason for being, I personally believe it has not.... Europe's construction relies on a strong and dynamic Franco-German relationship. What we have already accomplished is the best guarantee of what we must continue to build, together and with our partners.... Also, because the world has deeply changed through globalization and we are heading toward a multipolar world.... While the Franco-German couple is indispensable, it does not stand alone. It must give momentum to all of Europe."

"A Very Light Pink Banner"

Laurent Joffrin in left-of-center Liberation stressed (9/29): "The message from Germany is eminently clear. The German socialist victory confirms the message sent during the past two years by European voters: the liberal model set forth to adapt to globalization is being rejected.... The dream of the Euro's realignment with requirements dictated by the financial elite in the United States has been shattered by European voters.... This does not mean that the red flag is flying over Europe, simply that Europe's voters have chosen to wave a light pink banner."

BELGIUM: "Change"

Karin De Ruyterin in independent Catholic De Standaard speculated (9/29): With Gerhard Schroeder, not only a new political constellation, but also a new generation is coming to power. Schroeder's convincing electoral victory indicates that the expectations are high. Honoring them, however, will not be an easy task. Schroeder promised his voters 'innovation and social justice.' Innovation in order to save Germany from stagnation and guide it into the 21st century. Social justice as an antidote to the feeling among many voters that in Germany the rich are becoming richer and the poor are becoming poorer. The fact that Schroeder's vow to the electorate is full of contradictions and incompatibilities has been underscored.... However, that does not necessarily mean that he is fated to fail. The most important thing may be that he manages to blow a new wind over the country and thus give Germany a new impetus. Schroeder's victory may be the beginning of a turnabout which people have awaited for a long time."

"New Men, New Ideas Will Emerge"

In independent Le Soir Guy Duplat noted (9/29): "This new team will have to be judged on its projects, but in principle a new inspiration can only be refreshing after sixteen years of Kohl. New men, new ideas will emerge. They won't be excessive, because Mr. Schroeder is skillfully prudent. The new chancellor's responsibility is enormous. He steers Europe's flagship. He will have to show that he can keep the right course."

"End of An Era"

Ludwig de Vocht in financial daily De Financieel-Economische Tijd commented (9/29): "Regarding Germany's foreign policy, Schroeder....has hinted at continuity. Taking into account the affection shown by Schroeder for Prime Minister Tony Blair's New Labour, the question must be asked whether the Bonn-Paris axis will gradually be replaced by the London-Berlin axis. As early as during the first half of 1999, when Germany takes over the EU presidency from Austria, it will become clear where Schroeder's Germany stands in the European context. It is already certain that Schroeder will be confronted with difficult talks on the financing of the EU. However, foreign policy is not the Schroeder administration's priority.... Absolute priority will be given to unemployment.... The question is whether Gerhard Schroeder will succeed in putting Germany on a new course as smoothly he campaigned to destroy a political monument like Helmut Kohl."

CANADA: "First Of All The Changeover"

French language, liberal Le Devoir opined (9/28): "No doubt, it is the end of the Kohl era, but the arrival to the German Chancellory of Social-Democrat Gerhard Schroeder, champion of the "new center," does not represent a political disruption.... More than a political program, Germans have chosen a political changeover for their country, which had been governed since the war with almost no interruption by Christian-Democrats.... The most important work that awaits the new government is not only economic, but also, and maybe principally, political and cultural. It consists of re-establishing confidence between the East and the West.... One thing is clear, it will take more than money to fill the gap between the two Germanies."

POLAND: "A Younger Europe"

Leopold Unger wrote in liberal Gazeta Wyborcza (9/29): "Not only the dean of European policy leaves with Kohl's departure, but also a historic symbol. The Europe of Schroeder might be better, but it will not be the same.... Europe is getting younger. Leaving the scene together with Kohl is a generation who cared to close finally the Nazi chapter.... Schroeder will be the chancellor of the state which has emerged in the aftermath of the collapse of the Berlin Wall.

For him, the time to repent is over for Germany."

RUSSIA: "Germans Are Tired Of Great Men"

Rodion Vodin wrote for the reformist business Kommersant-Daily (9/29): "But the Germans are tired of Kohl who demanded sacrifices from them all the 16 years that he ruled Germany. First, in the name of German reunification, and then in the name of European unity and support of democracy in Russia. The Germans, weary of great deeds, feel like loosening their belts a little bit and withdrawing from stormy seas into a quite harbor. So, they preferred an ordinary human to man-rock who had become...slightly antiquated.... They prefer a person who doesn't mind wearing jeans at a party forum, who is divorced three times and married four times."

SPAIN: "Schroeder: Middleman"

Liberal El Pais commented (9/29): "The turn to the left made by Germany...is but the latest in left-leaning voter tendencies demonstrated by EU member countries, Spain excepted, over the recent past.... In his first statements, Schroeder has emphasized the importance of [Germany's] relations with France. Undoubtedly, his chemistry will be closer to Jospin's than was Kohl's, not so much for personal reasons but because the new chancellor shares France's views regarding the need for some kind of global economic authority that would bring order to the international financial marketplace.... Even so, Schroeder is closer to Washington and London than Kohl was. Thus, it would seem natural that this German Social Democrat would want to portray himself not as a bridge, but rather as the center of these political configurations, and at the center of the new center-left that has achieved European dominance.... The future of the EU is in the hands of a new team whose captain could turn out to be Schroeder--the opportunity is undoubtedly there for him to grasp."

AUSTRALIA: "Schroeder's Germany"

The national business-oriented Australian Financial Review opined (9/29): "[Schroeder] is an admirer of the U.S. economic system, supports globalization and has dragged the SDP into what he called the New Center. All of which augurs well for a German administration sensitive to the imperatives of global economics and international business."

"Swing To Left Brings Kohl Era To End"

The conservative Brisbane Courier Mail observed (9/29): "The German Social Democrats join Tony Blair's New Labor in Britain, Lionel Jospin's French Socialists and Romano Prodi's center-left olive tree coalition in Italy as part of a new European strand of politics, which advocates a third way between the free market and state control. This approach is far from coherent or focused and has had mixed success elsewhere on the continent. Mr. Schroeder should ensure his party does not put dogma before practical progress. Dr. Kohl's legacy should be preserved, not squandered."

JAPAN: "Can SDP Promote Germany's Reform?"

The business-oriented Nihon Keizai (9/29), "SDP leader Gerhard Schroeder crushed Chancellor Helmut Kohl in an election in which Germans showed their weariness with Kohl's 16-year leadership.... Germany's economic policy will hold sway over the destiny of 11 EU member countries, which will introduce the 'euro' currency next year. The policy will also have a considerable impact on the international community. We have to watch closely who joins the coalition government the SPD will lead. To form a majority in the parliament, it appears that the SPD could join forces with the environmentalist Greens Party, which not only calls for the destruction of nuclear power plants but also remains hostile to the German business world. Business leaders, some of whom are concerned about the Greens Party's hostility, openly

express hope that the SPD and CDU will join hands in forming a new government. But if there is no real prospect for reform, a sense of obstructionism will remain despite the change in government. For

Schroeder, who advocates down-to-earth politics, the first trial, even before leading the nation, will be to build a coalition government."

SOUTH KOREA: "The Flag Of A New Middle"

Ryu Jae-Hoon of the independent Hankyoreh Shinmun wrote (9/29) : "Germany's election marks both the end of an era and the beginning of a new generational change, with voters choosing Schroeder's campaign offering future and change. Schroeder's victory is also significant because it marks the first time in German history that a real shift in government has occurred through an election. Along with Schroeder, a generation of leftist students has come to the fore of German politics."

"New Germany Under Schroeder"

The moderate Hankook Ilbo editorialized (9/29): "Germany has taken a new path, choosing Gerhard Schroeder as its new chancellor. His victory marks the country's massive tranformation into a new Germany, its significance going well beyond achieving a political shift after 16 years.... A whole new trend of leadership is now sweeping the West, with Schroeder's victory making it more apparent. The central-leftist leads the way to establishing a whole new political reality in Europe. What future changes Schroeder will bring to Germany and to the rest of Europe will be interesting to see."

ARGENTINA: "The Center-To-Left Wing Makes Itself Secure In EU"

Elisabetta Pique commented in La Nacion (9/28): "Gerhard Schroeder's victory in German elections has raised to 13 the number of countries which are governed by a moderate or center-to-left wing, leaving only two countries, Spain and Ireland, to the right. With no consequences for the European construction and the liberal economic model, three great countries (Great Britain, France and Italy) turned to the left in the last three years.... A great majority of the other EU countries are led by the left-wing or by a coalition.... Thus, Schroeder's victory reinforced the social-democrat trend in Europe.... We are not talking about a 'red tinted' Europe, but about a turn to a new reformist policy which combines innovation and social justice with reviving the economy, creating new jobs, combatting corruption and promoting education. Now, what seems to be a boom in Europe is a 'new left'... i.e., a political front seeking to put a brake on globalization in the sense of 'savage' liberalism... to promote the ideals of equality and social justice. Something very similar to the 'third way' was launched last week in an academic forum in New York by Clinton, Blair and Prodi--a new political trend which aims at becoming an alternative to capitalism and classic socialism."

A GLIMMER OF HOPE FOR THE MIDDLE EAST?

ISRAEL: "Some Progress, No Breakthrough"

Independent Channel 2-TV reported in its top story from Washington (9/28): "President Clinton, PM Netanyahu and Chairman Arafat had no good news to announce at the conclusion of their White House meeting yesterday. Still, the very fact that this was their first meeting in over a year does amount to something."

"Chilly Encounter"

Washington correspondent Orly Azolay-Katz wrote in mass circulation, popular Yediot (9/29): "The issue was the Middle East but the two guests stood at the Oval Office yesterday like 2

extras in a show staged in honor of somebody else. Netanyahu and Arafat were there with frozen faces, looking like they were doing a favor to a friend."

"See You in October"

Popular, pluralist Maariv said (9/29): "The dramatic meetings of the past few days in New York and Washington have produced no diplomatic agreement. Clinton did refer to a significant narrowing of the gaps...but the Israelis preferred to point to a standstill on the reciprocity issue and to the visible hostility between Netanyahu and Arafat."

WEST BANK: "Hurry To Dodge Palestinian Intentions"

Independent, moderate Al-Quds had this editorial (9/29): "It is clear that the U.S. latest efforts were conducted in such a hurry to dodge Palestinian intentions in declaring the Palestinian state on May 4, 1999, which have been reported for weeks in the media. And because Arafat's speech in the

UNGA aimed at rallying Arab and international support for that idea, the U.S. and Israel have agreed to exert every possible effort to soften the language in the Palestinian speech."

"Netanyayu In A Hard Position"

In his regular column in independent, pro-PA Al-Ayyam, Hasan Al-Batal opined (9/29) that the trilateral meetings in New York, which lead to the three-way summit in Washington, "will place Netanyahu in a hard position because very few of his people would credit him for preventing Arafat from clearly declaring the Palestinian state as an overdue right.... Arafat, on the other hand, was able to prove his credibility in his first attempt to declare the state.... There is a right timing for the establishment of Palestine as a state.... But the moderation in Arafat's speech before the UNGA does not mean he is deviating from the goal. The Palestinians indeed prefer to achieve a just, negotiated and agreed-upon 'final settlement,' and that is the very thing wanted by Washington too."

EGYPT: "American Pressures"

An editorial in pro-government Al Akhbar held (9/29): "The U.S. exercises endless pressure on the Palestinians according to what Israel is asking, while she does not dare place any pressure on Tel Aviv. The most recent intensive pressure that was exercised by the Clinton administration on President Yasser Arafat occurred a few hours before the delivery of his speech in front of the Peoples Assembly of the UN. The aim of this pressure was to force him not to mention his intention to announce an independent Palestinian state next May. Without a doubt, it would have been possible to accept American pressures on the Palestinians if at the same time the U.S. administration was placing similar pressures on the Israeli side. But reality says that Washington is unable to do that."

"Will The Summit Succeed?"

Magdy Mehana, columnist for liberal Al Wafd commented (9/29): "I don't think so, and I do not think that Netanyahu will give the U.S. president a chance to realize any degree of success that might help him in his current crisis. If Netanyahu did not help him in the past so why would he help him now? Monica-Clinton scandal is Jewish made. So, is it logical that Netanyahu would save Clinton and work against the Jewish goals? Clinton is unable to do any thing and is unable to pressure Israel. The success of the summit depends on the amount of concessions that will be made by Arafat. The Palestinian president does not have anything to give away. It seems to me that President Clinton is also unable to pressure Arafat. What does Clinton have to pressure Arafat? And why would Arafat respond to him while he is standing in a storm. Clinton bombed Sudan and Afghanistan and that scandal continues. The straw that could save

Clinton is Arafat-Netanyahu. But this straw wants to get rid of him and will let him drown in the swamp."

BRITAIN: "Arafat Seeks UN Mandate"

The liberal Guardian commented from Washington (9/29): "The White House summit ended with only an undertaking to meet again in the middle of next month and vague assertions of progress made. The summit failed to provide a breakthrough.... There was little sign of ending the deadlock."

"U.S. Summit Raises Middle East Hope"

The conservative Times said (9/29): "The first signs of hope for 18 months appeared in the Middle East peace process yesterday after a summit at the White House, with the promise of further talks in a few weeks.... The atmosphere was improved by a promise by Mr. Arafat to tone down his language for a speech to the UNGA last night."

"Hopes Raised Over Israeli Peace Deal"

The centrist Independent said (9/29): "Bill Clinton is clearly hoping that his administration will be remembered for more than just the Monica Lewinsky affair. He has high hopes of scoring a diplomatic success in the Middle East that will confirm that he has serious foreign policy achievements, even if in domestic policy he is stranded."

FRANCE: "Saving Appearances"

Jean-Jacques Mevel said in right-of-center Le Figaro (9/29): "The summit in the Oval Office, announced as a surprise summit, was a major step forward for U.S. diplomacy.... If the U.S. manages to sponsor peace in the Middle East, the way it has in Ireland, it will have tremendous impact on the president's image.... But nothing indicates that the peace process has entered a new phase.... The only concrete result is the step backward taken by Arafat regarding a unilateral proclamation of a Palestinian state."

"Arafat's All Or Nothing Wager"

Christophe Boltanski said in left-of-center Liberation (9/29): "Arafat's seemingly innocuous declarations at the United Nations led to intense negotiations.... The Palestinian warning was taken very seriously by Israel.... By setting a deadline, Arafat has given the peace talks new momentum, given new hope to his people, forced his adversaries to show their hand, and the U.S. to step out of its waiting mode. But in so doing, Arafat is playing a dangerous game. On May 4, he may have no other choice but to back off, or to enter into a confrontation with Israel."

ITALY: "Unusually Optimistic Atmosphere"

Andrea di Robilant wrote from Washington in centrist, influential La Stampa (9/29): "After a year and a half of stall, the peace process started back again in an unusually optimistic atmosphere.... The turning point registered yesterday was facilitated by the intense work of Secretary of State Albright.... The meeting between Clinton and the two leaders is the first since the Lewinski scandal broke. And the White House obviously tried to exploit to the fullest the progress made in the last few days to feature a very presidential Clinton."

"The History Books"

Arturo Zampaglione from New York in left-leaning, influential La Repubblica (9/19): "Netanyahu and Arafat had not met face to face for a year. It is likely that the effects of Sexgate convinced

both to be more flexible and constructive.... On the other hand, an agreement on the Middle East, after that obtained in Northern Ireland, could be an elegant way for Clinton to get out of the mud of the Starr investigation and re-enter, head up, into the history books."

SPAIN: "Back To Square One"

Conservative ABC opined (9/29): "It would appear that the insistent and determined pressure applied by the White House has managed to push the stalled Middle East peace process slightly forward. Bill Clinton's presidency, under siege by the Republican opposition and in need of political triumphs--perhaps more obtainable and flashier in foreign than domestic affairs--has gone all out."

BRIEF

BRAZILIAN GOVERNMENT MOVES WITH 'CAUTION' AND 'DETERMINATION'

Center-right O Estado de S. Paulo (8/28) said: "Just a few days before the IMF annual meeting the major international leaders begin to realize that the industrialized economies are not immune to disasters. U.S. financial institutions have begun to suffer the same evils which up to now have been reserved for the group of the so-called emerging economies in need of emergency assistance. If the Russian disaster produced turbulent waves, the fall of Brazil would affect even more the international economy, making irresistible the contagion of those who up to now were kept relatively immune. The Brazilian government moves with caution, but with signs of determination. It is understood that if it manages to pass this phase of difficulties, even with sacrifices, the country's international image in the international economic and political scene will be reinforced, opening the way to a new phase of growth in the future."

"Financial Hurricane"

Economic columnist in independent Jornal da Tarde (9/28) said: "The Federal Reserve meeting set up for tomorrow to decide the decrease in interest rates and the size of the decrease, will be strongly influenced by the near bankruptcy of the LTCM.... This near failure ended up consolidating the perception that the financial hurricane is not only pressing the Asian tigers, Russia and a half dozen Latin American countries, but it reached the heart of capitalism."

"Crisis Has Exploded In The U.S."

Lead editorial in independent Jornal da Tarde (9/27) said: "In addition to exploding the crisis in the very heart of the world's financial center, in Wall Street, the spectacular blast of the LTCM...has buried for ever the credibility of the on-going systems of financial control. If it was possible for such a blast to occur under the eyes of no one less than Alan Greenspan, without anyone suspecting anything before it was too late, it is because no one is safe under the current `norms of financial

security.'

This episode will certainly determine the beginning of an immediate review

of all rules guiding the system of international finance and a revocation

of the practices sustained by mathematic abstractions, which have

prevailed over the more orthodox formulas of the recent past."

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11 Ann Pincus, Director
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#Xn\ P6Qy&P#Tuesday, September 29, 1998

X` hp x SCHROEDER'S VICTORY CEMENTS GENERATIONAL SHIFT IN EUROPE
X` hp x
The German elections remained the major story in headlines in Europe and abroa
d. The majority of commentators in Europe, while respectful of Kohl's achievem
ents, viewed the victory of the SPD as an opportunity for new ideas and policie
s. Belgium's independent Catholic De Standaard summed up the position of many
editorials, "With Schroeder, not only a new political constellation, but also a
new generation is coming to power." While acknowledging that the new German l
eader remains somewhat of an enigma, the paper added that "the most important t
hing may be that he manages to blow a new wind over the country and thus give G
ermany a new impetus." Speaking on privatelyfunded Europe One radio, Catherine
Nay asked the question implicit in all commentaries: "What kind of European wi
ll Schroeder be?"
While leftofcenter Le Monde and President Chirac in rightof center Le
Figaro see Schroeder's arrival as "a new opportunity for Europe not to be
missed," many commentators are baffled by the type of socialism the new
chancellor will embrace. The particulars of Schroeder's agenda and his ability
to implement it will depend to a great extent, several pundits felt, on the vi
ability and the "colors" of the coalition he assembles, especially the role tha
t the Green party might play. In the view of many in the media, Schroeder join

s Lionel Jospin in France and Britain's Tony
Blair, who collectively embrace th
e "downtoearth politics" of the new
centerleft, characterized by a pragmatic a
pproach to addressing their
countries' economic and social woes. Spain's El Pa
is viewed Schroeder as
"at the center of the new centerleft that has achieved E
uropean
dominance." Outside of Europe, editorials echoed these themes, signall
ing
the emergence of new leaders who "advocate a third way between the free
mar
ket and state control."

CLINTONNETANYAHUARAFAT MEETING: MIXED ASSESSMENTS
X`   hp x
Media commentators from the Middle East and Europe reacted cautiously and
with
mixed assessments to President Clinton's meeting yesterday at the
White House
with Israeli Prime Minister Netanyahu and Palestinian leader
Arafat. Israeli c
ommentators noted the "visible hostility" between Mr.
Netanyahu and Mr. Arafat
at the meeting but said their "first meeting in
over a year does amount to some
thing."   One Egyptian pundit said President
Clinton was unable to pressure eit
her leader, but another referred to the
administration's "intensive pressure"
on Mr. Arafat not to announce
Palestinian statehood in his speech at the UN. J
erusalem's independent,
proPalestinian authority AlAyyam judged that "the moder
ation of Arafat's
speech before the UNGA does not mean he is deviating from the
goal."
Pundits in France and Spain also noted that Mr. Arafat had promised to

"tone down his language" at the UN and argued that "the only concrete
result [
of the meeting] is the step backward taken by Arafat regarding a
unilateral pro
clamation of a Palestinian state." Analysts in Britain and
Spain spoke of "the
first signs of hope" and said that "insistent and
determined pressure" from th
e White House had pushed the peace process
"slightly forward." Several comment
ators noted the Clinton
administration's need for a "serious" foreign policy vi
ctory.
BRIEF   Brazilian Government Moves With 'Caution' And 'Determination'

EDITORS: Bill Richey and Katherine Starr

X`   hp x   SCHROEDER'S VICTORY CEMENTS GENERATIONAL SHIFT IN EUROPE
X`   hp x
GERMANY: "Schroeder Must Represent The Middle"

Ulrich Depenbrok told listeners on regional radio station Westdeutscher
Rundf
unk of Cologne (9/28): "Such a landslide, and such a disaster for the
CDU/CSU w
ere not foreseeable. After 16 years of the Kohl era, this is an
historic cha
nge.... [The SPD] is now moving towards a RedGreen
coalition.... For the vot
ers, Gerhard Schroeder seemed to guarantee
change without too many risks....
For Schroeder, this means that he must
guarantee that RedGreen will not 'unhing
e' the FRG, and that he represents
the middle that put him in office. At the
moment, both sides seem to be
aware of the fact that care and the ability to m
ake compromises are now
required. Time will tell whether there is sufficient
mutual understanding
to outlast even one term. In the long run, Schroeder wil
l not have an
easy job   neither with his party nor with his coalition partner.
"

"It's The Economy"

Eckhard Fuhr wrote in a frontpage editorial in rightofcenter Frankfurter
Allge
meine (9/29): "The fate of the economy will also be the fate of a
RedGreen gove
rnment. Economic prosperity and progress in employment are
the prime criteria
for the (new government's) success. If the SPD and the
Greens fail in their e
conomic policies, it will matter little to them that
there are people who dream
about a different republic in Germany. We can
only hope that the pressure to
succeed, along with economic realities,
will be strong enough to keep ideologu
es on both sides in check."

"The Triumph Of The SPD"

Kurt Kister maintained in centrist Sueddeutsche Zeitung of Munich (9/28):
"Th
e degree of the SPD victory becomes very apparent when we look at the
three mo

st important institutions in our democracy. In the Bundestag, there is now a comfortable majority of the SPD and the Greens. In the Bundesrat, the SPD has dominated since 1991. And in the Federal Assembly (which elects the future federal president), it also has a majority of votes. 1999 will be a Social Democratic year. In January, Chancellor Schroeder will take over the presidency in the European Council and will be welcomed by a number of 'leftwing' EU premiers. The reforms of the Schroeder cabinet will pass the Bundesrat. In May, the Federal Assembly is likely to elect an SPD member as the next federal president."

"The Miracle"

Roderich Reifenrath claimed in an editorial in leftofcenter Frankfurter Rundschau (9/28): "This necessary new beginning of a new reality is closely linked to the historic change of the seat of government from Bonn to Berlin. Along with this, European national states are now controlled by governments that have a social democratic foundation. This is a clear expression of the will to adjust future policies to the needs of ordinary citizens. This election outcome also expresses the deeplyseated wish that the basis for state activities should not only be the world of big money or to put it differentlynot to expose whole continents to the irresponsible momentum of vagabond capital. A social democratic Europe could set new standards in politics."

"A New Era Will Begin"

Centrist Leipziger Volkszeitung foresaw (9/29): "A new era will begin in German postwar politics with the upcoming move of a RedGreen chancellor from Bonn to Berlin and with a CDU/CSU that runs the risk of losing its identity as a mainstream party, irrespective of the length of a Schroeder government. Nine years after the peaceful revolt in the East, which did

not result in profound changes in politics in Germany, the Bonn Republic

was tr
ansformed into the Berlin Republic last Sunday. This happened in a spectacular
 and revolutionary manner....   We are now faced with a radical change in polit
ics. And in this respect, the Greens will turn out to be reliable partners.
For them, the issue is all or nothing."

"Updating SPD Ideals"

Rightofcenter Saechsische Zeitung of Dresden (9/29) opined: "Unlike his idol
Tony Blair, the successful SPD candidate missed the chance to prepare the soci
al democrats for his chancellorship. Among SPD members, many still have outda
ted ideals such as shortening the workweek or the principle of subsidies for e
veryone. They will try to raise their voices and assert their views when the
discussion focuses on the top item on the agenda: the fight against unemploym
ent. In order to turn back these claims, Gerhard Schroeder will be dependent
on his party leader Oskar Lafontaine."

FRANCE: "What Type Of Socialism For Schroeder?"

Nicolas Beytout on privatelyrun RTL radio told listeners (9/29): "Depending on
 whether Schroeder opts for more socialism or more social democracy, he will b
e more in tune with Jospin or, on the contrary, with Tony Blair. This could ha
ve important consequences for Europe's construction.... An alliance between S
chroeder and Blair on a more modern and liberal vision of socialism could have
important repercussions."

"An Opportunity Not To Be Missed"

JeanMarie Colombani in leftofcenter Le Monde (9/29) held: "Kohl has made Germ
any without undoing Europe.... He relentlessly served the FrancoGerman concept
 of a European identity.... Today's Germany...is a nation without complexes,
but with only relative power in the EU.... Germany must recognize that today i
t cannot hope to achieve a worldwide presence other than through the EU.... Ye

t France is already showing
concern...that Germany may turn its back on the Fra
ncoGerman idea of
Europe and replace it with a liberal trade policy relying on
a threeway
alliance between Washington, London and Berlin. For Europe, the arri
val of
Schroeder is an opportunity not to be missed.... There is in Europe tod
ay
a situation without precedent which must lead to striking a deal between
soc
ial issues and the market economy."

"A New Opportunity"

President Chirac in rightofcenter Le Figaro argued (9/29): "While some
may wo
nder if the basis of the FrancoGerman relationship has lost its
reason for bein
g, I personally believe it has not.... Europe's
construction relies on a stron
g and dynamic FrancoGerman relationship.
What we have already accomplished is
the best guarantee of what we must
continue to build, together and with our pa
rtners.... Also, because the
world has deeply changed through globalization a
nd we are heading toward a
multipolar world.... While the FrancoGerman couple
is indispensable, it
does not stand alone. It must give momentum to all of Eu
rope."

"A Very Light Pink Banner"

Laurent Joffrin in leftofcenter Liberation stressed (9/29): "The message
from
Germany is eminently clear. The German socialist victory confirms the
message
sent during the past two years by European voters: the liberal
model set forth
to adapt to globalization is being rejected.... The dream
of the Euro's reali
gnment with requirements dictated by the financial
elite in the United States
has been shattered by European voters.... This
does not mean that the red fla
g is flying over Europe, simply that
Europe's voters have chosen to wave a ligh
t pink banner."

BELGIUM: "Change"

Karin De Ruyterin in independent Catholic De Standaard speculated (9/29): With Gerhard Schroeder, not only a new political constellation, but also a new gene ration is coming to power. Schroeder's convincing electoral victory indicates that the expectations are high. Honoring them, however, will not be an easy ta sk. Schroeder promised his voters 'innovation and social justice.' Innovatio n in order to save Germany from stagnation and guide it into the 21st century. Social justice as an antidote to the feeling among many voters that in Germany the rich are becoming richer and the poor are becoming poorer. The fact that Schroeder's vow to the electorate is full of contradictions and incompatibilit ies has been underscored.... However, that does not necessarily mean that he i s fated to fail. The most important thing may be that he manages to blow a new

wind over the country and thus give Germany a new impetus. Schroeder's victor y may be the beginning of a turnabout which people have awaited for a long time ."

"New Men, New Ideas Will Emerge"

In independent Le Soir Guy Duplat noted (9/29): "This new team will have to b e judged on its projects, but in principle a new inspiration can only be refres hing after sixteen years of Kohl. New men, new ideas will emerge. They won't be excessive, because Mr. Schroeder is skillfully prudent. The new chancellor 's responsibility is enormous. He steers Europe's flagship. He will have to s how that he can keep the right course."

"End of An Era"

Ludwig de Vocht in financial daily De FinancieelEconomische Tijd commented (9/ 29): "Regarding Germany's foreign policy, Schroeder....has hinted at continuit y. Taking into account the affection shown by Schroeder for Prime Minister Ton y Blair's New Labour, the question must be asked whether the BonnParis axis wil l gradually be replaced by the LondonBerlin axis. As early as during the first half of 1999, when Germany takes over the EU presidency from Austria, it will become clear where Schroeder's Germany stands in the European context. It is a lready certain that Schroeder will be confronted with difficult talks on the fi nancing of the EU. However, foreign policy is not the Schroeder administration 's priority.... Absolute priority will be given to unemployment.... The quest ion is whether Gerhard Schroeder will succeed in putting Germany on a new cours e as smoothly he campaigned to destroy a political monument like Helmut Kohl."

X` hp x

CANADA: "First Of All The Changeover"

French language, liberal Le Devoir opined (9/28): "No doubt, it is the end of the Kohl era, but the arrival to the German Chancellory of SocialDemocrat Gerha rd Schroeder, champion of the "new center," does not represent a political disr uption.... More than a political program, Germans have chosen a political cha ngeover for their country, which had been governed since the war with almost no interruption by ChristianDemocrats.... The most important work that awaits th e new government is not only economic, but also, and maybe principally, politi cal and cultural. It consists of reestablishing confidence between the East a nd the West.... One thing is clear, it will take more than money to fill the gap between the two Germanies."

POLAND: "A Younger Europe"

X` hp x

Leopold Unger wrote in liberal Gazeta Wyborcza (9/29): "Not only the dean of European policy leaves with Kohl's departure, but also a historic symbol. The Europe of Schroeder might be better, but it will not be the same.... Europe is getting younger. Leaving the scene together with Kohl is a generation who ca red to close finally the Nazi chapter.... Schroeder will be the chancellor of the state which has emerged in the aftermath of the collapse of the Berlin Wal l.

For him, the time to repent is over for Germany."

RUSSIA: "Germans Are Tired Of Great Men"

Rodion Vodin wrote for the reformist business KommersantDaily (9/29): "But th
e Germans are tired of Kohl who demanded sacrifices from them all the 16 years
that he ruled Germany. First, in the name of German reunification, and then in
the name of European unity and support of democracy in Russia. The Germans, we
ary of great deeds, feel like loosening their belts a little bit and withdrawin
g from stormy seas into a quite harbor. So, they preferred an ordinary human t
o manrock who had become...slightly antiquated.... They prefer a person who do
esn't mind wearing jeans at a party forum, who is divorced three times and marr
ied four times."

SPAIN: "Schroeder: Middleman"

Liberal El Pais commented (9/29): "The turn to the left made by Germany...is
but the latest in leftleaning voter tendencies demonstrated by EU member countr
ies, Spain excepted, over the recent past.... In his first statements, Schroe
der has emphasized the importance of [Germany's] relations with France. Undo
ubtedly, his chemistry will be closer to Jospin's than was Kohl's, not so much
for personal reasons but because the new chancellor shares France's views regar
ding the need for some kind of global economic authority that would bring order to the international
financial marketplace.... Even so, Schroeder is closer to Washington and
London than Kohl was. Thus, it would seem natural that this Ge
rman Social Democrat would want to portray himself not as a bridge, but rather as the
center of these political configurations, and at the center of the new c
enterleft that has achieved European dominance.... The future of the EU is in
the hands of a new team whose captain could turn out to be Schroederthe opportu

nity is undoubtedly there for him to grasp."

AUSTRALIA: "Schroeder's Germany"

The national businessoriented Australian Financial Review opined (9/29): "[Sch roeder] is an admirer of the U.S. economic system, supports globalization and h as dragged the SDP into what he called the New Center. All of which augurs wel l for a German administration sensitive to the imperatives of global economics and international business."

"Swing To Left Brings Kohl Era To End"

The conservative Brisbane Courier Mail observed (9/29): "The German Social De mocrats join Tony Blair's New Labor in Britain, Lionel Jospin's French Socialis ts and Romano Prodi's centerleft olive tree coalition in Italy as part of a new European strand of politics, which advocates a third way between the free mark et and state control. This approach is far from coherent or focused and has ha d mixed success elsewhere on the continent. Mr. Schroeder should ensure his pa rty does not put dogma before practical progress. Dr. Kohl's legacy should be preserved, not squandered."

JAPAN: "Can SDP Promote Germany's Reform?"

The businessoriented Nihon Keizai (9/29), "SDP leader Gerhard Schroeder crushed Chancellor Helmut Kohl in an election in which Germans showed their wearines s with Kohl's 16year leadership.... Germany's economic policy will hold sway o ver the destiny of 11 EU member countries, which will introduce the 'euro' curr ency next year. The policy will also have a considerable impact on the interna tional community. We have to watch closely who joins the coalition government the SPD will lead. To form a majority in the parliament, it appears that the SPD could join forces with the environmentalist Greens Party, which not only calls for the destruction of nuclear power plants but also remains hostile to the German business world. Business leaders, some of whom are concerned about

the
Greens Party's hostility, openly

express hope that the SPD and CDU will join hands in forming a new
government.
But if there is no real prospect for reform, a sense of
obstructionism will
remain despite the change in government. For
Schroeder, who advocates downtoea
rth politics, the first trial, even
before leading the nation, will be to build
a coalition government."
X` hp x
SOUTH KOREA: "The Flag Of A New Middle"

Ryu JaeHoon of the independent Hankyoreh Shinmun wrote (9/29) :
"Germany's ele
ction marks both the end of an era and the beginning of a new
generational chan
ge, with voters choosing Schroeder's campaign offering
future and change. Sch
roeder's victory is also significant because it
marks the first time in German
history that a real shift in government has
occurred through an election. Alon
g with Schroeder, a generation of
leftist students has come to the fore of Germ
an politics."
X` hp x
"New Germany Under Schroeder"

The moderate Hankook Ilbo editorialized (9/29): "Germany has taken a new
path,
choosing Gerhard Schroeder as its new chancellor. His victory marks
the coun
try's massive tranformation into a new Germany, its significance
going well bey
ond achieving a political shift after 16 years.... A whole
new trend of leader
ship is now sweeping the West, with Schroeder's victory
making it more apparent
. The centralleftist leads the way to establishing
a whole new political reali
ty in Europe. What future changes Schroeder
will bring to Germany and to the r
est of Europe will be interesting to
see."

ARGENTINA: "The CenterToLeft Wing Makes Itself Secure In EU"

Elisabetta Pique commented in La Nacion (9/28): "Gerhard Schroeder's
victory
in German elections has raised to 13 the number of countries which
are governed

by a moderate or centertoleft wing, leaving only two
countries, Spain and Irel
and, to the right. With no consequences for the
European construction and the
liberal economic model, three great countries
(Great Britain, France and Italy)
turned to the left in the last three
years.... A great majority of the other
EU countries are led by the
leftwing or by a coalition.... Thus, Schroeder's v
ictory reinforced the
socialdemocrat trend in Europe.... We are not talking ab
out a 'red
tinted' Europe, but about a turn to a new reformist policy which com
bines
innovation and social justice with reviving the economy, creating new job
s,
combatting corruption and promoting education.   Now, what seems to be a
boo
m in Europe is a 'new left'... i.e., a political front seeking to put a
brake o
n globalization in the sense of 'savage' liberalism... to promote
the ideals o
f equality and social justice. Something very similar to the
'third way' was
launched last week in an academic forum in New York by
Clinton, Blair and Prod
ia new political trend which aims at becoming an
alternative to capitalism and
classic socialism."

A GLIMMER OF HOPE FOR THE MIDDLE EAST?

ISRAEL: "Some Progress, No Breakthrough"

Independent Channel 2TV reported in its top story from Washington (9/28):
"Pre
sident Clinton, PM Netanyahu and Chairman Arafat had no good news to
announce a
t the conclusion of their White House meeting yesterday. Still,
the very fact
that this was their first meeting in over a year does amount
to something."

"Chilly Encounter"

Washington correspondent Orly AzolayKatz wrote in mass circulation,
popular Ye
diot (9/29): "The issue was the Middle East but the two guests
stood at the Ova
l Office yesterday like 2

extras in a show staged in honor of somebody else. Netanyahu and Arafat

were t
here with frozen faces, looking like they were doing a favor to a
friend."

"See You in October"

Popular, pluralist Maariv said (9/29): "The dramatic meetings of the past
few
days in New York and Washington have produced no diplomatic agreement.
Clinton
did refer to a significant narrowing of the gaps...but the Israelis
preferred
to point to a standstill on the reciprocity issue and to the
visible hostility
between Netanyahu and Arafat."

WEST BANK: "Hurry To Dodge Palestinian Intentions"

Independent, moderate AlQuds had this editorial (9/29): "It is clear that
the
U.S. latest efforts were conducted in such a hurry to dodge Palestinian
intent
ions in declaring the Palestinian state on May 4, 1999, which have
been reporte
d for weeks in the media. And because Arafat's speech in the
UNGA aimed at ral
lying Arab and international support for that idea, the
U.S. and Israel have ag
reed to exert every possible effort to soften the
language in the Palestinian s
peech."

"Netanyayu In A Hard Position"

In his regular column in independent, proPA AlAyyam, Hasan AlBatal
opined (9/2
9) that the trilateral meetings in New York, which lead to the
threeway summi
t in Washington, "will place Netanyahu in a hard position
because very few of h
is people would credit him for preventing Arafat from
clearly declaring the Pal
estinian state as an overdue right.... Arafat, on
the other hand, was able to
prove his credibility in his first attempt to
declare the state.... There is a
right timing for the establishment of
Palestine as a state.... But the modera
tion in Arafat's speech before the
UNGA does not mean he is deviating from the
goal. The Palestinians indeed
prefer to achieve a just, negotiated and agreedu
pon 'final settlement,'
and that is the very thing wanted by Washington too."

EGYPT: "American Pressures"

An editorial in progovernment Al Akhbar held (9/29): "The U.S. exercises end less pressure on the Palestinians according to what Israel is asking, while she does not dare place any pressure on Tel Aviv. The most recent intensive press ure that was exercised by the Clinton administration on President Yasser Arafat occurred a few hours before the delivery of his speech in front of the Peoples Assembly of the UN. The aim of this pressure was to force him not to mention his intention to announce an independent Palestinian state next May. Without a doubt, it would have been possible to accept American pressures on the Palesti nians if at the same time the U.S. administration was placing similar pressures on the Israeli side. But reality says that Washington is unable to do that."

"Will The Summit Succeed?"

Magdy Mehana, columnist for liberal Al Wafd commented (9/29): "I don't think so, and I do not think that Netanyahu will give the U.S. president a chance to realize any degree of success that might help him in his current crisis. If Ne tanyahu did not help him in the past so why would he help him now? MonicaClint on scandal is Jewish made. So, is it logical that Netanyahu would save Clinton and work against the Jewish goals? Clinton is unable to do any thing and is u nable to pressure Israel. The success of the summit depends on the amount of c oncessions that will be made by Arafat. The Palestinian president does not hav e anything to give away. It seems to me that President Clinton is also unable t o pressure Arafat. What does Clinton have to pressure Arafat? And why would A rafat respond to him while he is standing in a storm. Clinton bombed Sudan and Afghanistan and that scandal continues. The straw that could save

Clinton is ArafatNetanyahu. But this straw wants to get rid of him and will le t him drown in the swamp."

BRITAIN: "Arafat Seeks UN Mandate"

The liberal Guardian commented from Washington (9/29): "The White House summi
t ended with only an undertaking to meet again in the middle of next month and
vague assertions of progress made. The summit failed to provide a breakthrough
.... There was little sign of ending the deadlock."

"U.S. Summit Raises Middle East Hope"

The conservative Times said (9/29): "The first signs of hope for 18 months ap
peared in the Middle East peace process yesterday after a summit at the White H
ouse, with the promise of further talks in a few weeks.... The atmosphere was
improved by a promise by Mr. Arafat to tone down his language for a speech to t
he UNGA last night."

"Hopes Raised Over Israeli Peace Deal"

The centrist Independent said (9/29): "Bill Clinton is clearly hoping that hi
s administration will be remembered for more than just the Monica Lewinsky affa
ir. He has high hopes of scoring a diplomatic success in the Middle East that
will confirm that he has serious foreign policy achievements, even if in domest
ic policy he is stranded."

FRANCE: "Saving Appearances"

JeanJacques Mevel said in rightofcenter Le Figaro (9/29): "The summit in the
Oval Office, announced as a surprise summit, was a major step forward for U.S.
diplomacy.... If the U.S. manages to sponsor peace in the Middle East, the wa
y it has in Ireland, it will have tremendous impact on the president's image..
.. But nothing indicates that the peace process has entered a new phase....
The only concrete result is the step backward taken by Arafat regarding a unil
ateral proclamation of a Palestinian state."

"Arafat's All Or Nothing Wager"

Christophe Boltanski said in leftofcenter Liberation (9/29): "Arafat's seemingly innocuous declarations at the United Nations led to intense negotiations.... The Palestinian warning was taken very seriously by Israel.... By setting a deadline, Arafat has given the peace talks new momentum, given new hope to his people, forced his adversaries to show their hand, and the U.S. to step out of its waiting mode. But in so doing, Arafat is playing a dangerous game. On May 4, he may have no other choice but to back off, or to enter into a confrontation with Israel."

ITALY: "Unusually Optimistic Atmosphere"

Andrea di Robilant wrote from Washington in centrist, influential La Stampa (9/29): "After a year and a half of stall, the peace process started back again in an unusually optimistic atmosphere.... The turning point registered yesterday was facilitated by the intense work of Secretary of State Albright.... The meeting between Clinton and the two leaders is the first since the Lewinski scandal broke. And the White House obviously tried to exploit to the fullest the progress made in the last few days to feature a very presidential Clinton."

"The History Books"

Arturo Zampaglione from New York in leftleaning, influential La Repubblica (9/19): "Netanyahu and Arafat had not met face to face for a year. It is likely that the effects of Sexgate convinced

both to be more flexible and constructive.... On the other hand, an agreement on the Middle East, after that obtained in Northern Ireland, could be an elegant way for Clinton to get out of the mud of the Starr investigation and reenter, head up, into the history books."

SPAIN: "Back To Square One"

Conservative ABC opined (9/29): "It would appear that the insistent and determined pressure applied by the White House has managed to push the stalled Midd

le East peace process slightly forward. Bill Clinton's
presidency, under sieg
e by the Republican opposition and in need of
political triumphsperhaps more o
btainable and flashier in foreign than
domestic affairshas gone all out."
X`   hp x
X`   hp x BRIEF

BRAZILIAN GOVERNMENT MOVES WITH 'CAUTION' AND 'DETERMINATION'

Centerright O Estado de S. Paulo (8/28) said: "Just a few days before
the IM
F annual meeting the major international leaders begin to realize
that the indu
strialized economies are not immune to disasters. U.S.
financial institutions
have begun to suffer the same evils which up to now
have been reserved for th
e group of the socalled emerging economies in
need of emergency assistance. I
f the Russian disaster produced turbulent
waves, the fall of Brazil would affe
ct even more the international
economy, making irresistible the contagion of t
hose who up to now were
kept relatively immune. The Brazilian government moves
with caution, but
with signs of determination. It is understood that if it m
anages to pass
this phase of difficulties, even with sacrifices, the country's

international image in the international economic and political scene will
be
reinforced, opening the way to a new phase of growth in the future."

"Financial Hurricane"

Economic columnist in independent Jornal da Tarde (9/28) said: "The
Federal
Reserve meeting set up for tomorrow to decide the decrease in
interest rates a
nd the size of the decrease, will be strongly influenced
by the near bankruptc
y of the LTCM.... This near failure ended up
consolidating the perception that
the financial hurricane is not only
pressing the Asian tigers, Russia and a
half dozen Latin American
countries, but it reached the heart of capitalism."

"Crisis Has Exploded In The U.S."

Lead editorial in independent Jornal da Tarde (9/27) said: "In addition to

e
xploding the crisis in the very heart of the world's financial center, in
Wall
Street, the spectacular blast of the LTCM...has buried for ever the
credibili
ty of the ongoing systems of financial control. If it was
possible for such a
blast to occur under the eyes of no one less than Alan
Greenspan, without anyo
ne suspecting anything before it was too late, it
is because no one is safe un
der the current `norms of financial security.'
This episode will certainly de
termine the beginning of an immediate review
of all rules guiding the system o
f international finance and a revocation
of the practices sustained by mathema
tic abstractions, which have
prevailed over the more orthodox formulas of the
recent past."

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