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TO: Jordan Tamagni (Jordan Tamagni@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
SLATE MORNING DELIVERY: Tues., Nov. 3, 1998

From today's Slate http://www.slate.com

--today's papers: Open Gates?

--frame game: Election Night Excuses

--international papers: The Courtship of Germany

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today's papers

Open Gates?

By Scott Shuger

A gruesome refiguring of the Central American toll for Hurricane

Mitch--now revised to be upwards of 7,000 deaths--leads at USAT, the

LAT, and the NYT. The WP leads with the news that the Washington D.C. financial control board will re-delegate most of the local government's executive powers--stripped from Marion Barry--back to the new mayor chosen today. The Post's top non-local story is that the Supreme Court has agreed to review the criminal statute banning a wide range of gratuities to public officials. The statute was used to convict Sun-Diamond Growers for its largesse towards former Secretary of Agriculture Mike Espy, a conviction that was then overturned. At issue is what exactly must the link be between a gift and any subsequent act by the official receiving it before it constitutes an illegal quid pro quo.

Hardest hit by Mitch were Honduras and Nicaragua. The papers all quote the president of Honduras' on-scene assessment: "There are corpses everywhere." The NYT reports that mudslides were a big killer, quoting a Nicaraguan rescue worker saying he could do nothing for the people buried in the debris he could hear begging for help. The Times says at least five Nicaraguan villages were "entombed" by the slides. The LAT reports that 70 percent of Honduras' crops were destroyed. The NYT says it's 70 percent of the country's entire infrastructure that was wiped out. By yesterday, the LAT reports, the region was experiencing food shortages and price gouging. USAT says that if the death count is confirmed, Mitch will end up as the second deadliest Central American storm ever.

USAT and the LAT front fresh Commerce Dept. data showing that in September, Americans spent more money than they earned--$100.20

going out, explains the LAT, for every $100 that came in. The papers report that this hasn't happened in ages. (USAT says it's been at least 50 years, the LAT says 65.) The consensus explanation is that the roaring stock market has made people feel more prosperous and willing to spend. The LAT quotes this economic analysis from a man who just dropped $170 on sweaters at the Burbank GAP: "If all the consumers keep getting more and more into debt and keep spending, nothing bad is going to happen...."

The NYT, and WP front the much-awaited playing in court yesterday of the Bill Gates deposition videotape. The LAT and USAT put the story on their business section fronts. The WSJ flags it in its front-page news box. The NYT finds that in his confrontation with DOJ lead attorney David Boies, Gates was "evasive and uninformed, pedantic and taciturn," (USAT and WSJ also opt for "evasive"), and observes that when confronted with company e-mail he'd authored, he frequently said he did not recognize the messages or recall the circumstances behind them. The Times and WSJ observe that sometimes Boies' questions were met by more than 20 seconds of silence before Gates responded. The Post notes that Gates-on-video is a staple of Microsoft trade show presentations, but in the court tape there was this difference: Gates was a "scowling, slouching man."

The papers note that much of yesterday's questioning focused on whether or not Microsoft threatened canceling its version of "Office" software for the Macintosh as a means of forcing Apple to promote MS' Internet browser. The Post and Journal report that at one point Boies showed Gates an email sent to him by a Microsoft executive that said, "Mac Office is the perfect club to use on them." The Post doesn't give Gates' account of that e-mail, but USAT says he testified that he didn't recall receiving it.

The LAT front reports that the federal government has chosen an odd way to save some money: by eliminating the only program designed to test the ability of the nation's commercial nuclear plants to protect themselves against terrorists. The program was established after the Gulf War and, reports the LAT, had in its short lifespan identified serious security lapses at 47 percent of the nation's 104 commercial nuclear reactors. For instance, in one mock attack, an agency team was able to simulate bringing about a core meltdown. And last March, an inspector was able to smuggle a fake pistol into the nuclear power plant in Vernon, Vermont. The reason for the shutdown? The LAT suggests it's that the nuclear power industry doesn't like shouldering the extra cost of participating in the security exercises.

Back to the videotape: The WSJ makes it seem that Bill Gates may have been influenced by another famous testifier named Bill. When asked by David Boies if Microsoft was competing with an Apple video technology, the paper reports that Gates answered, "Depends on what you mean by compete."

Also in today's Slate http://www.slate.com

Dispatch: Michael Lewis From the Microsoft Trial

http://www.slate.com/code/DDD/DDD.asp?file=MSTrial

The Music Club: The "Pathetic Fallacy" in Rock

http://www.slate.com/code/MusicClub/MusicClub.asp

The Fray: Where the Readers of Slate Debate

http://www.slate.com/Code/fray/fray.asp

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frame game

Election Night Excuses

By William Saletan

1. We did better than Newt Gingrich said we would.

Gingrich, with typical chutzpah, has predicted the GOP could pick up 40 or more House seats. Democrats, with equal chutzpah, will portray anything less as a Democratic victory.

2. We did better than the pundits said we would.

The conventional wisdom on likely Republican gains has ranged from six to 20 House seats and from three to five Senate seats. If Democrats hold the GOP below the upper end of this range, they'll claim victory. If Republicans beat the lower end, they'll claim victory.

3. We did well, considering how heavily we were outspent.

Democrats will use this alibi in nearly every close race. Republicans will claim that many of their candidates were outspent, if you count the additional "union money."

4. We did well, considering the president's difficulties.

Democrats will offer this excuse without acknowledging that it implies the public is still upset with the president's behavior. Simultaneously, they will assert that the election is a mandate for ending the investigation of the president's behavior.

5. We did well, considering the backlash against the investigation.

Republicans will offer this excuse without acknowledging that the backlash is mainstream. Instead, they'll portray it as a surge of turnout among diehard Clinton supporters.

6. We did well, considering the six year itch.

Democrats will point out that the president's party usually loses dozens of congressional seats in his sixth year. What they won't mention is that the reason Clinton didn't lose those seats in his sixth year is that he lost them in his second.

7. Americans re-elected the Republican majority.

This is the ultimate Republican fallback. Even if the GOP somehow loses seats in both houses, it can ignore its relative setbacks and reassert its absolute supremacy.

8. The Republicans failed to win a filibuster-proof majority.

This is the ultimate Democratic fallback. If Democrats lose fewer than five Senate seats, they'll say they weathered the tide because voters decided not to entrust Republicans with complete control.

9. We won the close races.

Both sides will use this line. "Close races" are the ones your side won. If a race looked close but you ended up losing it, then it wasn't really close, so you needn't mention it.

10. Their candidate won on local issues.

A good spinner never admits that his party's candidate lost because of the national party's positions. If an anti-health maintenance organization, pro-public-education Democrat wins, Democrats will say it's because voters liked her positions on HMOs and education. If she loses, they'll say its because voters disliked her position on building a local freeway.

11. Their candidate won with vicious negative ads.

If their candidate wins, it's because his negative ads distracted voters from the issues. If your candidate wins, it's because voters agreed that the other candidate was wrong on the issues--as your candidate pointed out in his negative ads.

12. Our candidate lost because of vicious media attacks.

If your candidate ran negative ads and their candidate didn't and your candidate still managed to lose, you can always accuse the media of attacking your candidate. This argument comes in particularly handy when the media have criticized your candidate precisely for running negative ads.

13. Our candidate lost because he screwed up.

If an anti-tax, family values Republican wins, it's because voters liked his positions on taxes and family values. If he loses, it's because he was unfairly savaged by the local press for calling his opponent a putzhead.

14. Our candidate did well in a tough district.

The Democratic Party recruits each candidate by telling her that her district opposes the Republican candidate on the issues. The Democratic candidate spends a year on the campaign trail repeating this line. Then, on election night, the candidate and the party claim that she lost because the district was Republican.

15. Our candidate did well, considering he was up against an entrenched incumbent.

This is the least bogus spin. Generally, incumbents do have enormous advantages in clout, money, and name recognition. But when a challenger has these advantages and still manages to lose, his party will invoke the "entrenched incumbent" excuse anyway.

16. Our candidate did well to make the race close.

This is the corollary to spin No. 9. If your candidate was blown out, you brush it off by saying it was never really a race. If your candidate wasn't blown out, you call this an achievement.

17. Their candidate won thanks to a vocal minority.

This will be the trademark spin of this year's elections. Everyone knows turnout will be low. So if you lose, you can always claim that the silent, nonvoting majority supported your candidate.

18. Their candidate won on our issues.

This GOP's 1996 treatment of Clinton is an excellent example. Throughout the campaign, Republicans call the Democratic candidate a liberal. After he wins, they say he won by running as a conservative.

19. Our candidate lost on their issues.

If Republican Matt Fong loses the California Senate race, conservatives will say he blew it because he's a "squish," i.e., a moderate. If Democrat Glenn Poshard loses the Illinois governor's race, liberals will say he blew it because he's anti-abortion.

20. The polls show voters support us.

If your party gets creamed, you can always find comfort in the exit polls. Somewhere in the blizzard of questions, a couple of findings will suggest that voters sort of agreed with your party's position on something or other, even if they voted against all your candidates. And after all, isn't that what really counts?

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international papers

The Courtship of Germany

By Alexander Chancellor

As Gerhard Schroder arrived in London Monday for his first foreign trip as German chancellor, Britain and France were vying for the affection of the new leader of Europe's largest and most powerful nation. Sunday in Germany's Welt am Sonntag, British Prime Minister Tony Blair claimed that he wasn't "in any way threatening the relationship between Germany and France," which has always been the cornerstone of the European Union, but he nevertheless made proposals that were in direct opposition to France's stated national interests. Calling for a more dynamic Anglo-German partnership to tackle Europe's problems, Blair wrote that he and Schroder wanted to discuss the pace of enlarging Europe eastward, how to reform and restore confidence in financial institutions, how to combat over-regulation in Europe, develop a European defense identity, reform the common agricultural policy, and correct European budget imbalances.

Meanwhile, Le Monde of Paris carried a front-page article by Luc Rosenzweig lamenting Schroder's apparently excessive Anglo-Saxon leanings. While welcoming the fact that he paid his first postelection foreign visit (but before he took over as chancellor) to France, the article noted that Schroder's French wasn't any better than that of his predecessor, Helmut Kohl. An article titled "The Difficult Profession of Francophile" said that, in contrast to other countries, France "starts from the principle that 'francophilia is a natural and normal thing for other peoples' " It asked, "Are we not the fatherland of the rights of man? Haven't we in the past raised high the standard of political and social emancipation for which the whole planet owes us recognition?"

Rosenzweig went on to point out that France did little to succor its fans. While France was cutting back on its cultural exports, Germany under Kohl had created "five chairs of European studies in the most prestigious universities in the United States. ... The result: eminent American academics have noted that, across the Atlantic, they 'read' Europe more and more with German eye-glasses."

In London, the Times ran an editorial Monday noting that Schroder had spoken of "an Anglo-German-French 'triangle'--a key element of which, it goes without saying in Germany, is his confidence that Mr. Blair will soon come down firmly on the side of British entry into economic and monetary union." The Times, which is strongly against European monetary integration, said that "the new German government's programme is too heavily stamped with the trademarks of traditional tax-and-spend socialism to bear scrutiny as a modernising agenda. ... Herr Schroeder may have won over Germany's inherently conservative voters with his talk of a 'new centre,' but his election swings Europe firmly leftward." It added, "Far from strengthening the case for British entry into the European Monetary

Union, it strongly reinforces the many good arguments for staying out."

In Israel, the conservative Jerusalem Post expressed the hope Monday that the decision made at the Wye Plantation talks to establish "a strategic planning committee" between Israel and the United States might strengthen the American commitment to protect Israel's security against its Middle East neighbors with nuclear capabilities. But it said that "if Saddam Hussein's recent announcement that he is suspending US inspections entirely--coupled with new evidence that he lied about not arming warheads with the chemical weapon VX--is not enough to spur US action, it is hard to imagine that closer consultations with Israel will do so either."

In London, the conservative Daily Telegraph called for a tough line against Saddam. Saying in an editorial Monday that "Saddam means terror, confrontation and war," that "[h]e is bent on building Iraq into a dominant regional power with the assistance of weapons of mass destruction," and that the authority of the United Nations would be "in tatters if he is allowed to terminate Unscom operations." The paper said that "[g]iving money to the Iraqi resistance is little more than a symbolic gesture. What is needed is the will to hit Iraq repeatedly from the air until Saddam backs down." It added, "He must now believe he can defy the UN with impunity. It is time that he was sharply disabused."

After a period since the first anniversary of the death of Princess

Diana, during which the British press more or less honored a public appeal by her sons, Princes William and Harry, that it respect her memory, it is now open season against her with the serialization of new books in the Sunday tabloids. The Mail on Sunday has been running extracts from a biography of Prince Charles by Penny Junor, claiming that Diana had an affair with her personal bodyguard early in the marriage and that she issued death threats against her husband's mistress, Camilla Parker Bowles. The Sunday Mirror, in the serialization of a book by Diana's "close confidante" Simone Simmons, said this week that she had mutilated her body with a fork, wanted to run off to South Africa with a heart surgeon named Hasnat Khan, and voted 250 times against the monarchy during a televised debate about its future by pressing the redial button on her mobile phone.

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TO: Jonathan Orszag (Jonathan Orszag@eop [UNKNOWN])
READ:UNKNOWN

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MEDLEY GLOBAL ADVISORS

MORNING MEETING

November 19, 1998

G-7

Japan: LDP-Ozawa tie up: What it is good for

United States: Armey's army

EMERGING MARKETS

China: Revolution is easy. Reform is hard.

G-7

JAPAN

IGNORANCE CONTINUES AS DOMINATE INVESTING THEME IN JAPAN

Once again currency markets reacted sharply to news about Japan it does not understand. The tie-up between Ozawa's Liberals and Obuchi's LDP is a drastic admission of mutual weakness and panic, not a powerful wedding between two unstoppable political forces. It most certainly does not mean a cut in consumption taxes is a sure thing, and it definitely does not give the LDP a majority in the Upper House. What it does do is reassert the power and dominance of the Takeshita faction within the LDP, since this was a wedding orchestrated from start to finish by the master puppeteer himself. Here's a quick look at the actual facts.

Fact #1: The Liberal-LDP Tie-Up Leaves The LDP 12 Short Of An Upper House Majority

Right now the LDP has 103 seats in the Upper House. Ozawa's party has 12 seats in the Upper House. It takes 127 seats to have an absolute majority in the 252-seat Upper House. 103+12=115; except in areas around Marin County where New Age math is legislated. That leaves the LDP 11-12 seats short of a majority. There are 11 so-called independents in the Upper House and it would take all of them, plus someone else, to give the LDP a majority. This is not a plausible outcome now.

Fact #2: The Liberal-LDP Tie-Up Does Not Guarantee A Consumption Tax Cut

In Ozawa's press conference today he announced that he will "continue to press for consumption tax cuts." Does that sound like a guy who has been assured of a deal on consumption taxes? In fact, what markets may not realize is that as part of the alliance negotiations, Ozawa dropped the demand that consumption taxes be cut. What he got instead were two pledges from the LDP: First, that the LDP study his request for a tax cut above the 7 trillion yen figure outlined by Finance Minister Miyazawa. Second, Ozawa got assurances from the LDP that they will study using the revenues from the consumption tax for "welfare payments." This is the moment where politicians are extremely glad that money doesn't come with UPS trackers attached. Sure, what the hell, we'll use the money for welfare. Face saved, case closed. Even if the result is a 10 trillion yen tax cut starting next year for a society destined to break all savings ratio records.

Fact #3: The Liberal-LDP Tie-Up Reflects Serious Weakness In Both Parties

The one thing both LDP Secretary General Nonaka and Liberal Party leader Ozawa knew going into the talks this weekend was that they needed each other desperately. Nonaka was genuinely terrified at how close the LDP came to blowing the bank recapitalization bills under pressure from Naoto Kan's Democratic Party. While the Ozawa tie-up does not give the LDP a majority, it takes away any real chance Kan has of pasting together a majority of opposition figures against LDP plans. The LDP's Informal arrangements with Komeito on a case-by-case basis and the formal tie-up with Ozawa renders Kan much weaker.

For Ozawa's part, he looked at the electoral math and knew he could kiss his party good-bye in the next general election, either next year or in 2000. This is a humiliating fall for a man who split the LDP in 1993 and threw it out of power for the first time in 40 years. But from that powerful beginning, Ozawa has waned at every turn and right now he has 42 Lower House seats and most of them would be wiped out by LDP competition. His party was rebelling and demanded the unification. Expect negotiations between the two parties to result in around 34 of Ozawa's seats being saved. Ozawa needed this tie-up as much as the LDP and that's why he caved on the consumption tax plan.

Fact #4 The LIberal-LDP Tie-Up Is Good News For The US-Security Agreement

There are substantial areas of policy agreement between the LDP and Ozawa's party, most particularly on defense and national security issues where both parties are right-wing hawks. Combined with the LDP defeat of the dreaded Okinawa Governor Ota last week, this is unmitigated good news for the US-Japan Security Agreement, but we're at a loss for how you trade that unless you're a big investor in cheesy strip clubs just outside the Marine bases.

UNITED STATES

ARMEY BATTLES ON, MODERATE GOPSTERS WIMP OUT

Despite a fairly widespread "Anybody But Armey" sentiment, current Majority Whip Dick Armey of Texas was the last man standing after three ballot rounds to keep his job in the House Republican leadership elections yesterday. The GOP moderates, confident their position within the party had been greatly strengthened by the election, simply disintegrated when it came to show a little discipline. Armey did fall a dozen short of the 112 votes needed to win, but the moderate-backed candidate, Robert Hastert of Illinois, barely managed to muster 18 votes. At least half the moderate votes splintered off to support Washington's Jennifer Dunn and, bizarrely Oklahoma's Steve Largent, the darling of brownshirts. Hastert himself, who is probably toast now that Armey won, claims he voted for Armey!

With Hastert out, moderates were all over the map on the second round, leaving Dunn crippled and out. That left Largent, a prospect so frightening for any congressman with half a brain, so the votes swung back to the big man from Texas. "Of course the moderates wimped out," one staffer for a well known GOP moderate said glumly. "Otherwise they wouldn't be called moderates, they'd be called the leadership."

So Armey stays, as does Tom DeLay, the party whip. Livingston, of course, assumes the Newt mantle as Speaker, while J.C. (Julius Ceasar!) Watts, the sole African-American Republican in the House, bumped off Ohio's John Boehner as GOP conference chairman. The election results leave Livingston with a mixed leadership team, underscoring just how difficult his task will be in unifying the GOP to put up a reasonably coherent legislative agenda. Big winner may be House Dems, who still have Dick Armey to kick around.

EMERGING MARKETS

CHINA

INVESTORS MAY FRET OVER YUAN, BUT IT'S BAD DEBTS GIVING CHINESE LEADERS NIGHTMARES

In the wake of China's plunging exports in October, some officials from MOFTEC, China's Trade Ministry, are deploying a new argument to get top leaders' attention. They contend that while China has so far done a decent job expanding domestic demand to make up for the export shortfall, export market share is still very important for China's future development and should not be given up easily. But our sources tell us that, as of this week, policymakers remain firm in their conviction that the RMB should not be devalued. They are looking into possibly more VAT rebates and trade credit financing for exporters. One insider told us that the government feels that it still has a lot of elbow room before devaluation actually becomes an issue. "If the worst comes to the worst, we can simply scrap the VAT. The talk of hidden devaluation is nonsense. Who says we must have VAT in the first place?"

But this doesn't mean that Chinese leaders are not concerned. In fact, since the beginning of this month, the Economic Affairs Group, composed of top economic and financial officials, has met several times, and we have learned that the Party's Secretariat will convene a larger, major meeting early next month to re-examine the mounting economic challenges facing China. This meeting will attempt to lay down the basis of China's economic planning for next year.

Yet, while the outside is focused on the yuan, Chinese leaders' current concern is actually on the issue of mounting bad debts. Officials are worried that the mainland's financial system isn't equipped to handle the kind of corporate crisis that is hitting Taiwan (as a result of which, Taiwan's investments in China fell by 30% in October). The prospect of major bankruptcies as a result of massive corporate payment defaults is too scary to even contemplate according to some officials. Their apprehension is understandable following the recent signs of panic and unrest in Beijing that was sparked by the collapse of only a few companies. Hundreds of people took to the streets in Beijing for the first time since Tiananmen to demand their money back from a failed securities firm. The government will soon introduce new rules to force companies and banks to reduce the portion of bad loans through write-offs. It is also planning to set up a RTC-style body to handle the problem of bad debts.

But Chinese leaders are fully aware of the problems associated with getting policy implemented. Rules and institutions are relatively easy to establish, but the hard part is to make them work as intended. While the government may be able to reduce the current bad debts, they still have no plan to prevent more bad debts from accumulating in the future. Before state-owned enterprises can be allowed to be privatized or go bankrupt, bank lending will remain essential. Since over half of the SOEs are losing money and have no prospect of turning profitable, continued lending means more bad debts. No leader can introduce radical reforms without giving consideration to the likely political and social consequences. Despite their public commitment, most Chinese officials agree in private that the country's economic development has entered into the most difficult phase since economic reform started 20 years ago.

So corporate clean up has become, not for the first time, the top priority. But it is pretty clear to us that the government doesn't have any new solutions. Bankruptcies and privatization, options examined before and given up for political reasons, will now be debated again. The long-lasting legacies of Socialism are still conditioning policy making. Long live the revolution.

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MEDLEY GLOBAL ADVISORS

WEEKLY MONITOR

November 20, 1998

PART I - CORE POSITIONS:

G-7

UNITED STATES

-- Fed policy still poised for further easings. Pause language in Tuesday's communique to placate hawks, to cool market overreaction, and to allow time for data to catch up with and confirm Blue Book forecasts of sharp slowdown in first half of next year. A December 22 cut is still on the table, but completely dependent on economic numbers and signs of new liquidity problems in credit markets. If internal forecasts of a sharp slowdown proves to be true, a 4% fed funds rate by middle of next year is most likely.

-- Fed continues to worry about signs of credit "dislocation" as overstated preference for short-term money versus even 2-year money continues. Implied

Fed tightening in 2-year market viewed as sign of "disquiet;" keeps Fed on alert.

-- Republicans elect self-defeating mix of moderates and extremists to House posts; Democrats and Clinton likely to set the congressional agenda as a result. Dems target House takeover in 2000.

-- Protectionist pressures continue to build. Clinton pressures Japan and moves on to Korea; Gore lambastes Malaysia; Banana Wars with the EU; Fish Wars with the Japanese; Steel Wars with everyone. Jeez, how will US react when jobs start to disappear? Is weak dollar policy around the corner?

-- Washington buzz continues about graceful Bob Rubin adieu. Fannie Mae rivals Frank and Jim aside, White House is reportedly conducting stealth vote count to see whether Summers gets through the Senate now that Enemy Number One D'Amato is Schumerized. If Rubin is going to go, the clock is ticking before the onset of Typhoon Depression.

-- Ken Starr says Clinton didn't do anything wrong in Whitewater, Filegate, Travelgate or Gatesgate. No pattern of obstruction, no pattern of lying, just All Monica, All The Time. Come back from Africa, Hillary, all is forgiven. Ken, you owe US taxpayers 52 million big ones. Goodbye.

EUROPE

-- EMU rate cuts simply a matter of when. Certainly before end of QI 99, and certainly to 2.75% by July 1999. Battle between Buba doves and Banque de France/Banc d'Italia hawks continues for mid-December cut. Core Buba officials want pre-EMU ease to 3.0%, but only with agreement by all of Europe. Duisenberg and ECB sit in the middle in stunned silence. Buba doves try lobbying the ECB, but no breakthrough yet. Duisenberg tells Fazio to hurry up and cut; Fazio tells Duisenberg to mind his own business. He does.

Fed cut was necessary but not sufficient condition.

-- German government is panicked about sharply lower internal growth forecasts. Median private expectations out of Bonn are for 1.4% GDP growth next year with deflation in tow. Frankfurt central bankers still hold on to their base case of growth turning down to 2.0% in 1999 before rebounding smartly in 2000.

-- Franco-German push for a "Greenspan-Rubin" model for fiscal and monetary policy mix. That would produce just the opposite of what markets expect with a tight fiscal and loose monetary orientation. French say first evidence of this approach should emerge this weekend.

-- Definitional battle engaged over meaning of the EMU stability pact. Should the German "golden rule" apply? That is should the 3% stability pact limits only begin to count once deficits exceed total capital spending by governments.

-- The UK situation continues to look increasingly bad, with retail sales undergoing a bloodbath and growing anecdotal evidence of layoffs, corporate trouble etc. We're still on track for 25bp rate cut next month.

JAPAN

-- LDP-Liberal tie-up is political convenience, not genius policy move. Ozawa needs the LDP more than it needs him. Consumption tax cuts will not occur, although two options for disguising that are under consideration: (1) directing all receipts from the tax to social welfare spending (a blatant accounting trick); or (2) removing the consumption tax from basic food items. Of course, that should encourage a bout of overeating.

-- Tokyo policymakers resigned to FY1999 growth prospects of 0% at best amid reports that a new wave of real estate price cutting and capital spending slashing is underway.

-- Fiscal stimulus will eventually work and the key to this is starting spending by local governments. Spending caps that have prevented local officials from disbursing their share of the stimulus pie are about to be lifted.

No cuts in BOJ's overnight or ODR imminent but no strong opposition either. The real meat comes from BOJ aggressive liquification of the private sector through microeconomic and targeted purchases of corporate paper and JDB-guaranteed paper for smaller sector.

-- The JGB will also join new lending programs for smaller and medium-sized businesses with a 5 trillion yen guarantee program and a direct loan window of 20 trillion yen. Welcome to Socialism and that is not a criticism. Watch how many businesses tap this cheap money as a leading indicator of recovery versus slum.

-- $/yen happy-zone trading range remains 115-125, still smiling inside 110 to 130, but watch out for anxious stares and a God awful lot of dollar buying below 110. Anything above 140, let the Americans worry about that if they are so smart.

EMERGING MARKETS

BRAZIL

-- Placid international markets let IMF relax its formal approval schedule for Brazil program. Approval now certain on December 2. Directors' commentary will emphasize rigorous implementation of the fiscal stabilization program.

-- The legislative program is proceeding as expected. This week's allotment of social security reforms are done, the COFINS increase was agreed by Congress, and a compromise on the CPMF permitting the full rise (to 0.38%) next year is under discussion. The fiscal impact of these measures will not be seen until next year.

-- Here's a shock. Economic data show the economy slowing. Officials are looking to reduce rates opportunistically, but have explanations ready if market fears keep them from cutting fast enough.

-- The documents purporting to show that Cardoso had illicit funds stashed in the Caribbean are fake, as expected. But the taped conversations regarding the Telebras privatization are juicy. Communications Minister Luiz Carlos Mendon?a de Barros will take most of the heat, leaving Cardoso unscathed.

RUSSIA

-- The current government is likely to pay Eurobond coupon payments for 1998. Payment of London Club debt will be linked to revenue from sale of a 2.5% stake in Gazprom planned for before year end. Next year's payments are not assured; Maslyukov will begin talks with IMF which are preliminary to rescheduling foreign debt, especially old Soviet debt, in 1999.

-- Draft 1999 budget likely to be austere. No significant wage and pension arrears likely to be paid any time soon, although government pledges to pay future obligations. Communist support for a tough budget may be achieved through granting partial control of media to Communists.

-- Political temperature is rising, as Primakov, now effectively acting president, finally becomes more assertive. Luzhkov, driven by impending implosion of Moscow city finances, looks for a national venue by creating his own party. Even oligarch Boris Berezovski has crawled out from under the rock he has been hiding.

-- CBR head Gerashenko appears caught between a Finance Ministry that sandbagged him on GKO restructure (by casting the commercial banks to the wolves) and a Duma that has passed a fairy-tale deposit insurance law.

GREATER CHINA

-- Since no one took up Premier Zhu's challenge to make a convincing case why China should devalue, the yuan level is expected to remain constant for some time to come. More signs of Chinese officialdom's yuan confidence was on display this week, both in the unusually playful response to endless badgering about the yuan by the central bank governor, as well as the statement by Foreign Minister Tang that the "RMB will be stable for the long term. "

-- Chinese Communist Party's (CCP) Central Committee is reportedly meeting on December 7-9 to begin the process of drawing up economic plans for next year. Top leaders are soliciting views from experts, and the majority view is that next year's economy should grow at a slightly lower rate than this year's target of 8%, say, 7.5%. Such a growth rate would still manage to prevent surging unemployment yet acknowledge not all is rosy.

-- One issue the CCP will surely address is bad debts. Corporate woes in Taiwan and demonstrations by people who lost their savings in failed mainland companies have alarmed leaders. Bankruptcies and privatization will be revisited, but any bold plan will be moderated by considerations of social and political consequences. Forcing banks and companies to write off NPLs and debt helps, but the challenge will be to prevent incurring bad debts in the first place.

HONG KONG

-- HK officials are still smarting from August's speculative attacks on the peg. HKMA head Yam admitted that much when he talked about the benefit of formally merging the Exchange Fund and the Land Fund, which boosted Exchange Fund's nominal reserves to over $121 bn.

-- The merger of the two funds also increased government holding of local stocks. The government already holds over $15 bn worth of stocks purchased in August, and now with the equity portion of the Land Fund's portfolio, the Exchange Fund Investment LTD is estimated to control over 10 % of the total value of HK market capitalization. This gives the government much more power to potentially manipulate the market in the future.

TAIWAN

-- Another government is publicly celebrating its own market intervention. Since the Taiwanese used over NT$ 200 bn to prop up its market, Taiwan's index has gone up by over 10%.

-- Expect the intervention to continue at least through December 5, when legislative, mayoral, and council elections are held. Meanwhile corporate credit problems are beginning to be felt beyond Taiwan's borders. Taiwan's investment on the mainland fell over 30% in October, and there are few expectations that the problem will go away any time soon.

APEC

-- Gore lit up Mahathir, otherwise, the main impact of the meeting is that most delegates now wonder whether APEC is worth preserving. It's up to the Kiwis to save APEC next year. If not, Charlene will be traveling solo from then on.

-- The two main agenda issues -- revamped financial architecture and liberalized trade -- have been passed to the G-22 and WTO, respectively. Unsurprisingly, trade liberalization proved impossible in an environment in which everyone wants to grow by exporting to someone else.

MALAYSIA

-- Malaysia still reeling from VP Gore's pro-Anwar statement. US plans to kick-start a policy clarification drive through the media, but US business community has concerns over new obstacles that may be placed in their way. As the Australian trade delegate said to Gore, "Thanks for giving us the Malaysian market."

-- Anwar's trial will resume and Mahathir wants it to last until UNMO has picked a new successor next June. Expect lots of boring testimony in Bahasa in the hopes that foreign journalists won't understand and everyone loses interest.

-- As focus returns to restructuring the domestic financial structure, local business and market confidence will continue to remain low. As one bank executive told us, "First we survive. Then we restructure."

INDONESIA

-- The Wiranto/Habibie coalition and the opposition continue, separately, to try to figure out what sparked the violent outbursts of last weekend, and no one in Jakarta is prepared to say the demonstrations are over.

-- Efforts on the part of the opposition are now underway to quiet things down to secure gains made as supporters of the pro-reform movement and prevent things from getting out of control again.

-- Parliament (DPR) continues to meet and discuss election law changes, including the military's continued presence in the DPR. As a result, this could become new target of student demonstrators.

SOUTH KOREA

-- The Empire Strikes Back -- the chaebol strategy of delaying any major restructuring is paying off. New government figures forecast a return to growth across all industrial sectors in 1999. Growth boosts DJ Kim's primary goal of ensuring Korea (and DJ) gets credit and acclaim as the first country to come out of the crisis.

-- Of course, the new higher growth estimates include increases in exports, despite lessons that should have been learned in the US steel case. Pressure is building for new attacks on Korea steel and auto exports, and neither sector is yet operating near full capacity.

-- The ruling coalition of Kim Dae-jung and Kim Jong-pil continues to fray. A return to growth could add to pressure, as DJ begins to reconsider whether he needs JP and his party any longer.

PART II -- MEDIUM-TERM VIEW

German Politics and a Tour of the New World Ordnung

New German government may not be as divided or as extreme as advertised

The new German government is neither as disorganized as it appears, nor is it in as deep a conflict with European central bankers as markets think. In fact, there is an emergent agreement on policy priorities within the Schroeder government, and both Buba and ECB members will admit that the debate on rate cuts is one of timing, not of direction and substance. There is, however, a wide gulf between the negative economic fears rampant in the new Schroeder government and the much more complacent view of gradual weakening and soft landing that prevails among the central bankers in both Frankfurt institutions. In fact, ** the short train ride between Bonn and Frankfurt seems to transport you into different universes. In Bonn the world is in serious danger of falling apart, while in Frankfurt everything is fine -- Alles in Ordnung! **

Some of that apparent disorganization reflects the chaos and fear of taking power after 16 years on the sidelines. With the sole exception of Tony Blair and his Labourite control freaks, watching a long-out-of-power political party take control of governments is not an edifying moment. Remember Bill Clinton's first two years? Not exactly the man who whipped Newt Gingrich like a cur back to Georgia. Remember Lionel Jospin? He was widely hooted for being completely unaware he was even going to win. Now he has record high approval ratings. So it goes now in Germany, where the world is having a hoot and a holler at the expense of SPD leaders just settling into their seats after a 16-year nap. Even some SPDers can't believe they are in power. One senior SPD politician lamented to us this week that he's been rewarded so long for being against things that, "I really don't know how to be in favor of anything."

Schroeder and Lafontaine are increasingly aware that they have taken power at a tough time. The one thing that would guarantee a bad first year is slower growth and rising unemployment and that looks exactly like what they will get, particularly if the euro debuts as strong as many here fear it might. That is why the German finance minister came out swinging, and it is why he is moving aggressively across the continent before this weekend's Ecofin meeting to convince his fellow ministers he is not only a force to be reckoned with but a man who can listen. And the result has been far better than he or anyone else expected: ** the chances of a Euro-wide agreement to push for labor and fiscal reforms, "that only left of center governments could achieve" as one central banker told us, looks more and more likely to become the policy of the German government.** This more moderate face could surprise markets and lead the way for a new balance between monetary and fiscal policy that we will discuss at length on Monday.

Lafontaine and the Central Banks

Oskar Lafontaine came charging into office with a full agenda and an opinion on everything. In fact, you might say he's been in favor of too many things -- from immediate Buba rate cuts to exchange rate target zones and then on to centrally coordinated economic policy throughout Europe. Political leaders often take a few months to understand that after years when no one gave a damn what they were saying, they are now capable of shaking markets and generating tons of ink simply by repeating the outrageous things everyone had ignored a few short weeks earlier. Such is the burden of power. But it is now clear that for all the huffing and puffing, the new Bonn team is settling into a groove, beginning to understand they own the airwaves, and, after checking around, finding that they did no permanent damage with all the freshman rhetoric. There may have even been a method to Lafontaine's seeming madness.

As one observer put it, "Lafontaine and Flassbeck knew one key thing coming into office. They had watched Waigel be beaten down by markets, by the Bundesbank, and by his own subordinates for a decade. He got so he couldn't say anything on any subject without being criticized just for opening his mouth. Oskar came in and decided he'd try to blow those constraints off first thing; widen the room he has to maneuver."

That may be what he has accomplished, although in the process he deeply complicated life for Buba officials who have been very sympathetic to rate cuts this year. ** In fact, we have been told quite explicitly from a number of sources that had Lafontaine kept quiet, rate cuts may already have arrived.** Unfortunately, the controversy he created gave Buba hawks room to argue that long-end rates were heading up because of the controversy, and to effectively stall (though not end) the rate cut debate in core Europe.

DUELING REALITIES

The ECB Economic Model

We took a look at the key assumptions underlying the very benign ECB outlook for the next calendar year, an outlook, by the way, that we found widely shared by the other European central bankers. ** That model forecasts growth in Euroland dropping to 2%, inflation continuing to run well below the 2% target, and unemployment moving up slightly. However, the ECB economic model then shows a strong recovery from this brief dip, with the next millennium ushering in a new dawn of confidence and growth. ** As one official put it, "This is the best forecast we could come to. It doesn't say the world will be perfect, but it does say that, given what we now know -- as opposed to what we now fear -- this is the most likely outcome for the world."

The assumptions are key to this model and they are optimistic to say the least. The ECB model sees US growth slowing only to 2.0% next year; Japan growing at 0.5% (well above even MOF internal estimates of zero at best), and Asia joining in a gradual but shallow bottoming process. There is neither a new crisis nor a policy mistake filtered in, as the quote above makes clear. One Buba official even complained of a contagion of a different sort than we are used to hearing: IMF contagion. "We arrived in Washington feeling pretty confident but left thinking the world was coming to an end. But now that we are back, we are reverting to our pre-IMF meeting sense of the world."

However, at the same time, ECB staffers concede they are not entirely sure what exactly their economic data is telling them. To capture any unexpected developments, the ECB in fact has also run an econometric model for the Euro-land economy assuming things do not turn out quite so perfectly in the US and Brazil, as just one deviation from the main model. The difference is significant: on that alone, growth is suddenly negative in Europe next year. ** The ECB's alternative lower growth simulation says that in their "disaster scenario" of a 20% fall in equity prices, a 10% appreciation of the currency, and a 1% drop in global trade, real growth in the euro-zone would decline to -1.4%.** Now that is a big difference; but when we pointed out that those underlying assumptions were in fact much closer to what are the current baseline assumptions of an awful lot of

reasonable people, we got shrugs and an invitation to their Christmas party.

So while Europe's central bankers seem perfectly willing to entertain the entirely plausible idea that everything will be fine, ** we also detected a distinct undertone of fear that the downside risk could accelerate through several standard deviations of ugliness. ** We think that, as it has with both the Fed and the administration policymakers, such downside risk will have the full attention of ECB leaders in the coming months.

The Darker Side of the Moon in Bonn

What is interesting is that in contrast to the central bankers in Frankfurt, the policymakers in Bonn are already operating with bleaker assumptions. Despite all their differences, every member of the Schroeder government knows that making the SPD's time in power last beyond one term will depend on reducing the unemployment rate. With the world economy slowing, there is little chance they will get lucky as Bill Clinton did in 1993 in taking office just as the economy was picking up steam. While the Bundesbank and ECB models essentially assume a soft landing given there will be rate cuts all around next year, ** the Bonn government is working on a far darker growth scenario.**

The public manifestation of this more negative view is the official growth forecast being slashed from 2.7% to 2% next year. That may be a sharp cut, but conversations with the Finance Ministry and the Economics Ministry, as well as the SPD rank and file, make it clear that 2% is the most optimistic, best case scenario for next year. A senior official in the rump economics ministry said he expects even lower growth, 1.5% real growth next year, and maybe even lower. They are also forecasting core inflation continuing to trend toward zero (the Eco-tax will add half a percentage point to German CPI for '99).

As one Buba staff member said, the two world views are like asking a man who has just jumped off a building ledge how he is doing at each floor on the way down. For the first 20 floors the answer is "fine;" it is, of course, only at the ground floor when he finds out whether there was a net or not. Everything is fine so far, even as the economy begins to slow. But while a narrow look at the hard facts supports the notion that everything is going quite well, the anecdotal evidence is much more mixed. The Ifo business sentiment index published today showed a much sharper drop than expected -- from 94.1 to 92.4 -- and the rate of investment is declining. Vehicle sales are fine, but looking at specific models, they are underperforming, given their place in the product life cycle. And on the politically sensitive employment front, overtime hours are up, but there has been no new hiring as employers work their current staff harder rather than add to the permanent payroll and then need to lay them off at great expense when demand dries up.

Mending the Rifts in Bonn

The German public has been quite perplexed by the relative rhetorical weights the chancellor and finance minister have assumed in the new government. This week's Der Spiegel carries a likeness of the new chancellor's face emerging from the clouds with the caption, "Where is Schroeder?" The Chancellery, somewhat defensive about all of this, protests they have been in office for only a matter of days, and that it will take a few more weeks before they can really grab the reins. ** Too much has already been made, for example, of the story of the new Sherpa, Klaus Gretschmann, who will be working out of the Chancellery, rather than having the state secretary in the Finance Ministry, Heiner Flassbeck, handle this role. **

They point out that this change was already underway in the waning months of the Kohl Administration. Friedrich Bohl, the minister in charge of the Chancellery, had been making the case that since so much of the G-7 work includes questions of broader geo-political and strategic policy in addition to purely economic policy and coordination, it did not make any sense that the Finance Ministry should have the sole Sherpa role. So even with the appointment of Grestchmann, the Chancellery has told us, Flassbeck
remains the German representative at G-7 Deputy's meetings, and will continue to be the counterpart to Summers, Sakakibara et al. As one Schroederite put it, "The chancellor knows what the prerogatives of the Finance Ministry are, and those prerogatives will be respected." As if he had a choice.

** As for the supposed ideological distance between Schroeder and

Lafontaine, this is more apparent than real so far, despite the more moderate background of the Chancellery staff. ** The one bit of policy freelancing that Schroeder has made into domestic economics so far was to propose an adjustment to the minimum age at which retirement could take place, from 65 to 60. The move absolutely shocked the left wing of the party, who say that it is completely unfinanceable, would do nothing to stimulate new hiring, and makes a mockery of their moves to begin lowering the overall social security contribution. Pension contributions are supposed to be reduced from 20.3% to 19.5% next year, but Schroeder's new idea would blow 40 billion DM during the first year alone. In other words, in his first moment as a policy advocate, Schroeder outspent the lefties.

Infrastructure and Defense Spending as the Key

The SPD wants to create enormous numbers of new jobs by supplementing salaries for new hires, and by embarking on make-work programs. They want to begin a major overhaul of transportation, going beyond even the ambitions for the EU Trans-European Network. Why, they ask, do all the roads in Europe seem to go North-South rather than East-West? For trade to eastern Europe we need to build East-West autobahns. Why are trains not standardized between countries so that the TGV or the ICE could run internationally?

In fact, European defense officials are busily plotting a "Europe first" buying policy for defense procurement that will achieve two goals. First, it will produce a beefed up European military presence capable of responding to threats around the world (and getting a little lebensraum in the bargain). This will go under the general rubric of "defense burden sharing," but what it really means is creating an army owned and operated by the European Union. Second, it will further jump-start European aerospace, armament, and much more importantly, technology industries. Already this week there has been a major, but quiet, announcement on defense spending entailing a joint venture between Germany and Russia to build new military transport aircraft that will use Russian design. If they are successful, Europeans will have found a perfect recipe: massive stimulus spending that markets will not dismiss as hopeless commie make-work projects. After all, what could be more free market than building things to kill people? You wimp.

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SUBJECT: From Corn-LOYAL OPPOSITION-NY Press 12/9/98

TO: David Halperin (David Halperin@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
Friends, Colleagues, Antagonists, Strangers,

Here is the latest installment of my column in the New York Press. (A pre-

copy-edited, advance version.) Feel free to pass this on and feel free to

send

e-mail addresses of others who might enjoy receiving this weekly feature.

If

you want to be removed from this list, send me a note and you'll be

purged. To

the scrolling-challenged, here's a little guidance. Item 1 covers the

Social

Security wonk-off; Item 2 lets Steve Earle speak for himself on capital

punishment.

Cheers,

DC

LOYAL OPPOSITION -- New York Press -- December 9, 1998

By DAVID CORN

Saving Public Retirement

With the House Republican wet-dream fantasy of a disgraced Bill Clinton shuffling back to Little Rock (or prematurely zooming off to Hollywood in Geffen's private jet) fading--did Henry Hyde truly believe last-minute, desperate pokes at Clinton's rule-bending fundraising would make any difference?--it may be time to start heeding what promises to be the biggest wonk-off in Washington in years: Social Security reform. Yes, it's true, substance (or, more accurately, the politics of substance) may be replacing scandal in the nation's capital. What will Chris Matthews or Geraldo Rivera do? Or the entire MSNBC network? Without Monica, we in Washington will be forced to cover the policy debates concerning Social Security and other dull-but-crucial matters. Sure, the copy of columnists will be flat as Kansas without references to presidential spurts, thong underwear, and impeachment.

But let's take comfort in knowing the country itself will be better off, for when it comes down to it, what matters more to you (and your children; we can never forget the children): titilating reports of Oval Office afternoon delight or a secure and effective pension system?

In the midst of this traumatic transition to a post-Monica age, the White House this week is hosting another in a series of conferences on the future of Social Security. President Clinton still has yet to offer any plan of his own.

Like any schlub who ever read a how-to guide on negotiations, Clinton knows that when one is in the middle of a contentious fight it is generally not best to go first. Republicans, who generally want to see a portion of Social Security privatized and handed over to Wall Street, have been pushing Clinton to drop a proposal on the table. Clinton, who keeps hinting he fancies a dash of privatization, will face the wrath of the core Democratic Party constituencies, the gang that has stood by him through Monicagate, if he opens that door. Last week, a flock of liberal and charitable outfits--the AFL-CIO, the NAACP, Catholic Charities USA, NOW, the Older Women's League--held a well-attended press conference to announce they would fight to the death any plan that would not preserve Social Security as a universal program that guaranteed monthly benefits and provided a decent and inflation-adjusted income for a recipient as long as he or she lived. They also vowed to oppose any scheme that would raise the retirement age or undermine the survivors and disability insurance portions of Social Security.

This band, led by union chief John Sweeney, Jesse Jackson, and NOW head

Patricia Ireland, were speaking less to the reporters and more to 1600 Pennsylvania Avenue. They realize that Vice President Al Gore does not want to see these folks angry at the White House--especially not if any serious primary challenges arise. Republicans, fueled by policy-speed shot out of the bowels of the Cato Institute and the Heritage Foundation twenty-four hours a day--are eager to mount a run on the most successful social program in the nation's history (which today keeps 16 million from descending into poverty) and hand large chunks of the nation's colletive retirement fund to their dear friends in Money-Manage Land. But the GOPers are no fools. They want cover from Clinton. And the current political set-up makes it seem as if Monica never flashed the President, for again an all-too familiar situation is developing. Will Clinton attempt to cut a deal with Republicans and shoot the bird at his party and his running-mate? (Why not? He's already betrayed his other mate.) Or will he do a reasonable impression of a Democrat and fend off the would-be raiders of Social Security?

Those are the politics. The reality is--prepare yourself--there is no Social Security crisis. Not yet. The program can pay out for the next 30 years. Then, if conservative estimates of 1.7 percent economic growth prove true, a shortfall will occur. But the system will not be completely bankrupt. All those polls showing that thirtysomethings do not believe Social Security will be there at all for them are the results of a propaganda campaign. Under these conservative projections, benefits *may* have to be cut by a quarter. But this is hardly cause for sky-is-falling cries. Who knows what will happen by the year 2030? If the U.S. economy grows at the same pace it has over the past 75 years--3.2 percent--the numbers are not alarming at all. The privateers are manufacturing a crisis. They're trying to trigger a run on a bank.

The possibility that Social Security could come up short when Monica Lewinsky goes through menopause should not be ignored. But modest nudges in the program--raising the cap on income susceptible to the regresssive Social Security tax, investing the trust fund in conservative private investments, widening the pool of participants, devoting all future surpluses to Social Security--could provide protection, if it is actually needed. An overall economic policy that spurs growth--and does not obsess over inflation--could do the trick on its own.

Yet the privatizers depict Social Security as on the brink of collapse and claim only Wall Street can save it. Well, if the economy is going to be so strong in the decades ahead that we can rely on Wall Street to provide our pensions, then the projected shortfall in Social Security will not likely materialize and the current system will not be imperiled. The privateers are arguing against some cold realities. A private system in which individuals would manage their own mandatory retirement funds would be far more expensive. (Social Secuirty's administrative costs are about 1 percent. Beat that, Paine Webber.) A transition to a private system would likely require significant benefit cuts. It also probably would impose greater costs on the Boomers, as they pay for the current recipients and also pay for the transition. And there will be no security. Private accounts will be susceptible to the vagaries of the market, and unlike Social Security, they will not offer inflation-proof, guaranteed pensions. Some elderly people could outlive their retirement savings. Then what? Welfare for them? Or a trip to an ice float? Or *Soylent Green*?

But the returns, think of the returns from private accounts, assert the privatizers. That will solve all problems. With every American cashing in on the market, all will be well. In a new book, Henry Aaron and Robert Reischauer, both policy-heads at the Brookings Institution, effectively

take
on this argument. Assume that Social Secuirty is modified so that its reserves
can be invested cautiously in private assets. Such a system would deliver results better than those of a system based on individual private accounts. "Unlike Garrison Keillor's mythical Minnesota community where all the children
are above average, the average private account cannot enjoy a return much different from the average return on all investments in the economy," they write. "But a privatized structure would generate higher sales, administrative, and compliance costs than would Social Security if reserves were invested in similar assets. Investment management fees could eat into the
returns earned by private accounts, diminishing the balances available to support retirement pensions. As a result, the average net returns to pensions
would be higher under Social Security than under direct individual investment
and the pensions would be more reliable."

Sounds like a no-brainer. But some of the privateers are aghast at the notion
of the government investing in private securities. Wouldn't this be government
ownership of corporations? And that's...that's....that's socialism. Such arguments show that what this crowd yearns for is not a more secure and financially sound system. They want a financial free-for-all, with market ruling the nation's retirement system. This is not to endorse the Aaron-

Reischauer call for collective investments in stocks and bonds. But their proposal does show that Social Security need not be turned over to fund-hedgers to preserve it.

Saving Social Security has become an apple-pie catchphrase. But it is a misnomer. It does not need saving at the moment. But for much of this year, the gut-Social Security advocates have been waging guerrila warfare to convice opinioin leaders and commoners that dire straits demand dire action. For a while, it appeared they were winning, that Washington officialdom and the punditry bought their assumptions that Social Security was a goner and privatization was a given. But hold on, free-marketeers. Last month, *Business Week* ran a piece by Peter Coy, its associate economics editor, with this headline: "Social Security: Let It Be." The article maintained the program "needs repairs, not radical surgery." After dismissing the privatization schemes for being costly, risky, and unwieldy, Coy ended with a lovely sentiment: "The beauty of Social Security is thatit represents a shared commitment of society as a whole to meet a need that isn't well met by families on thier own. The bottom line on Social Security: If it's not social, it's not security." *The Washington Post* ran a lead editorial two weeks ago noting that privatization was "probably" a "bad idea," scorning it as a "riverboat gamble." In last month's congressional elections, candidates who had supported privatization found themselves the recipients of scorching and effective attacks. Representative Nick Smith, a Michigan Republican, even had to disavow his own privatization scheme when his challenger gave him gruff for it.

Despite Secretary of the Treasury Robert Rubin's warnings about privatizing Social Security (and who knows Wall Stree better?), Clinton probably would like to pass legislation that would win him the title The Saviour of Social Security instead of The Grand Perjurer. Politics and facts, though, are arrayed against him. He can't "save" Social Security with privatization and, at the same time, save Al Gore. But if he chooses to rescue Social Security from those who would destroy it to save it, Clinton would be doing a service to his loyal and faithful companion and to the rest of the nation. With the same action, he can do well (politically) and do good (policy-wise). A win-win lies within his grasp--if he can resist his own desires.

Earle's Reply

Several weeks ago, in writing about a benefit concert for the Campaign for a Landmine-Free World, I praised Steve Earle, one of the performers, for his non-rock-star-like advocacy on behalf of welfare rights and for his ardent opposition to the death penalty. In fact, Earle had recently and reluctantly traveled to Texas to witness the execution of a man with whom he had been corresponding. In a recent issue of the *Rock & Rap Confidential* (www.rockrap.com/rockrap), a former fan of Earle, angrily lashed out at the countryish rocker. "I am throwing every Steve Earle CD that I won into the trash," Tom McAndrews wrote. "My dear friend Kelly Farquhar was murdered in Austin, Texas, in 1986 by Jonathan Nobles. Steve Earle calls Nobles his brother. Fuck that! If I murder Steve Earle's mother, will he be my brother, too?"

The newsletter afforded Earle the space to respond. "I'm truly sorry for the loss of your friend, so was Jon--from day one--but that won't bring her back either. Now Jon's dead and you're angry at me. Don't you see a pattern here?

"Send me a list of titles and I'l refund the money you've spent on my records over the years. I'm sorry if I disappointed you. I'm also curious as to which records of mine you could have been listening to without picking up on the fact that I'm opposed to the death penalty. Did you think I didn't mean it?

"Let's get the record straight, I oppose the death penalty for anyone, accused of any crime, under any circumstances, not because it's applied to poor people exclusively (although that's true) or because innocent people are executed (although they have been) but because I believe violence begets violence and therefore makes healing impossible. I've learned only two

things

in my life of any significant value: There is a god--and I'm not him. Only

God

has the power of life and death. When we, as individuals o==================== ATTACHMENT 1 ====================
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Sun, 06 Dec 1998 11:47:37 -0500 (EST)
Received: from Dacor@aol.com by imo27.mx.aol.com (IMOv18.1) id PSLa012618; Sun,

06 Dec 1998 11:37:46 -0500 (EST)
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RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: bounce-takings-474 (bounce-takings-474@connect.nationalwildlife.org@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:10-FEB-1999 04:35:00.00

SUBJECT: "Property Rights" Attack on Voluntary Land Purchases

TO: Carol R. Dennis (Carol R. Dennis@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
Reply or post new material just to me at sugameli@nwf.org or to the entire

takings policy list serve by sending e-mails to

takings@connect.nationalwildlife.org

The Takings Issues List Serve.

Why is providing money to create a market for those who want to

voluntarily

sell their property on the free market, somehow viewed as enough of an

attack on some people's notion of "property rights" that they attack the

Alaska Congressional delegation?

--Glenn Sugameli

National Wildlife Federation

202- 797-6865

sugameli@nwf.org

The Washington Post

Wednesday, February 10, 1999; Page A21

Biting the Hand . . .

By Al Kamen

The property rights folks are at it again, taking off after lawmakers who favor federal and state government land acquisition for environmental purposes. The targets? No, not the classic Gore-ite enviros. This time it's Alaskan Republicans Rep. Don Young and Sen. Frank H. Murkowski, who head their respective natural resources committees and are longtime allies of the private property crowd.

A new bipartisan bill pushed by the Alaskans and much of the Louisiana delegation would for the first time give coastal states, including the Great Lakes, a share of offshore oil revenue.

But the private property advocates are up in arms because the bill would provide for a big chunk of the money to go to the state and federal governments to buy land for preservation.

"The property rights movement defeated the same sort of land-grab legislation when it was being pushed a decade ago by" Democrats, said Frontiers of Freedom policy director Myron Ebell. ". . . Republican socialism is just as bad as Democratic socialism."

Ouch.

You are currently subscribed to takings as: [Dennis_c@A1.EOP.GOV]

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Precedence: bulk
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List-Subscribe: <mailto:subscribe-takings@connect.nationalwildlife.org>
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List-Software: Lyris Server version 3.0
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RECORD TYPE: FEDERAL (TRP NOTES MAIL)

CREATOR: caucasus-report-request (caucasus-report-request@list.rferl.org@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME: 3-MAR-1999 15:19:00.00

SUBJECT: RFE/RL CAUCASUS REPORT Vol. 2, No. 9, 3 March 1999

TO: Jonathan K. Elkind (Jonathan K. Elkind@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
RADIO FREE EUROPE/RADIO LIBERTY, PRAGUE, CZECH REPUBLIC

RFE/RL CAUCASUS REPORT

Vol. 2, No. 9, 3 March 1999

A Weekly Review of Political Developments in the North Caucasus and Transcaucasia from Radio Free Europe/Radio Liberty

GEORGIAN DISPLACED PERSONS BEGIN RETURNING TO ABKHAZIA.

Meeting with UN special representative Liviu Bota in early January, Abkhaz President Vladislav Ardzinba offered to allow those Georgian displaced persons who fled their homes in Abkhazia during either the 1992-1993 war or the renewed hostilities in May 1998 to return home beginning on 1 March. He subsequently created a commission charged with ensuring the returnees' safety and helping to meet their material needs.

The Georgian leadership, however, responded that Ardzinba had no right to act unilaterally and that the repatriation process must be jointly coordinated by Tbilisi and Sukhumi under the auspices of the UN (see "RFE/RL Caucasus Report," Vol.2, No. 3, 20 January 1999). Bota himself, and senior Russian diplomats engaged in the stalled Abkhaz peace process, concurred with the Georgian objections. Senior Georgian officials, including President Eduard Shevardnadze, repeatedly warned that the Abkhaz authorities are incapable of ensuring the safety of Georgians who return to Abkhazia.

On 1 March, however, disregarding such warnings, Georgians began crossing the bridge over the river Inguri that marks the internal border between Abkhazia and the rest of Georgia. Some Georgians chose to try to ford the river in other places rather than run the gauntlet of some 300 militant displaced persons who had gathered on the bridge in mid-February to protest Ardzinba's initiative and prevent any attempt by individual Georgians to cross into Abkhazia.

Georgian and Abkhaz officials have offered widely diverging estimates of the number of Georgians who have succeeded in doing so. Ruslan Kishmaria, chief administrator of Abkhazia's southernmost Gali raion, the prewar population of which was 90 percent ethnic Georgian, told Caucasus Press on 2 March that over 100 Georgians had crossed the Inguri, whereas Georgian officials said that only seven did so on 1 March. The returnees are being registered by the Abkhaz commission responsible for their safety, and are being transported by bus to their former homes.

At this juncture it is impossible to predict what percentage of the estimated 200,000 Georgian displaced persons will take up Ardzinba's invitation to return to Abkhazia. (Speaking on 1 March, the Abkhaz leader had said that 25,000 Georgians have expressed the wish to do so.) Certainly there is a hardcore of fugitives who oppose the idea of returning, but at least some of these are deterred not by security considerations but because their future political careers are contingent on preserving the status quo until they themselves are in a position to change it to their advantage. The leader of this faction is Tamaz Nadareishvili, chairman of the Abkhaz parliament in exile, which comprises the ethnic Georgian deputies to the Abkhaz parliament elected in the fall of 1990, the mandate of which has since expired. The Abkhaz Foreign Ministry has accused the parliament in exile of organizing the picket on the Inguri bridge, with the backing of the Georgian government.

Georgian Minister of State Vazha Lortkipanidze, who as ambassador to Moscow played a key role in the peace process in 1997-98, rejected Ardzinba's initiative in terms far harsher than other senior members of the Georgian leadership, terming it "a farce." Both Lortkipanidze and Nadareishvili are believed to harbor presidential ambitions, should

Shevardnadze not run for a second term in 2000. (Liz Fuller)

FORMER ARMENIAN CP BOSS LAUNCHES NEW POLITICAL PARTY. The center-left Armenian People's Party (HZhK), created last summer by former Armenian Communist Party First Secretary and defeated presidential candidate Karen Demirchian, convened its founding congress in Yerevan on 27-28 February. Some 700 delegates out of the party's estimated 25,000 members attended.

The HZhK's leadership hopes to parlay Demirchian's personal charisma and popularity into a strong showing in the parliamentary elections scheduled for 30 May. Many working-class Armenians badly hit by the country's economic collapse in the early 1990s are hoping for Demirchian's return to power.

It was to those potential voters that Demirchian aimed his 90-minute speech to the congress on 27 February, promising an economic revival and new jobs, and vowing to establish "popular and democratic socialism."

Demirchian subjected successive post-Communist Armenian governments to blistering criticism, accusing them of the systematic "distortion of classical liberalism" and of rejecting everything positive inherited from the Soviet system while substituting nothing of value to replace it.

"There has been no area where progress is discernible," he said. "This formerly industrial country has been de-industrialized and looted over the past ten years. What we need is a comprehensive state program to revive our industry and agriculture."

Demirchian said the HZhK stands for a socially oriented and state-regulated market economy. He said that one facet of the government's involvement in the economy would be to help both private and state-owned enterprises find cheap credits and markets for their production.

Looking ahead to the May poll, Demirchian warned that the HZhK will not allow "falsification and irregularities." "Any encroachment on free and fair elections will be considered a grave crime," he added. The following day, Demirchian told journalists that he is ready to cooperate with all political parties that seek to ensure that the elections are free and fair. Many of Demirchian's supporters are convinced that he was deprived of victory in the second round of the March 1998 presidential poll only through ballot stuffing and other irregularities. Demirchian himself, however, refrained from openly disputing Robert Kocharian's election victory.

Congress delegates greeted Demirchian's speech with a standing ovation, but subsequent press commentaries were less enthusiastic. They noted that his promises were short on specifics, and that his criticism of corruption within the bureaucracy and of the lack of a strategic program of the country's development could equally be applied to the leadership Demirchian headed from 1974-1988.

Nor is it yet clear who precisely will run on the HZhK's list in the upcoming parliamentary poll, as journalists were barred from attending the announcement of the outcome of elections to the party's ruling board. Some observers have speculated that the party's leadership will be dominated by former leading Communist officials. (Emil Danielyan/Anna Saghabalian)

DAGESTAN GEARS UP FOR REFERENDUM, PARLIAMENTARY ELECTIONS. On 7 March Dagestan's electorate will vote for the third time within seven years on whether it approves the introduction of the post of popularly-elected president. That option was rejected in previous referenda in 1992 and 1993. At present, the head of state in Dagestan is the chairman of the 14-man State Council. Under the terms of a constitution which some observers have charged was tailored specifically to ensure the political longevity of the incumbent leadership, the State Council chairman is elected by the 242 members of the Constitutional Assembly, on which all of Dagestan's 34 ethnic groups are represented. In March1998, the People's Assembly (parliament) amended the constitution, abolishing the article that stipulated that a member of one and the same ethnic group may not be elected chairman of the State Council in two consecutive polls. That decision paved the way for 68-year-old incumbent Magomedali Magomedov's reelection three months later for a further term.

Visiting Makhachkala last week, Russian Interior Minister Sergei Stepashin expressed satisfaction that the energetic crackdown on crime in Dagestan launched last fall by his first deputy, Vladimir Kolesnikov, has resulted in admittedly tenuous political stability which, Stepashin predicted, is unlikely to be endangered in the runup to the 7 March parliamentary poll. That is not to say that the crime situation has not impacted on the election campaign: "Nezavisimaya gazeta" on 27 February quoted State Council press secretary Eduard Urazaev as saying that 33 of the 480 registered parliamentary candidates are either the subject of a criminal investigation or wanted by police, and 17 have a previous criminal conviction. The republic's police have recommended that the media should publicize the criminal past of would-be deputies in an attempt to prevent the election of dubious elements to the new parliament. That preventive publicity may, however, have little effect, given the clout wielded by some senior economic officials with political ambitions.

"Nezavisimaya gazeta" has drawn attention to the campaign activity of Russian, as opposed to local, political parties, in particular the Communist Party of the Russian Federation and the National-Patriotic Union of Russia. (The paper also notes that local political forces have been competing for affiliation with the local branch of Moscow Mayor Yurii Luzhkov's Otechestvo.) Finally, "Nezavisimaya gazeta" suggests that the eclipse of the Union of Muslims of Russia, for whose leader Nadirshakh Khachilaev an arrest warrant has been issued, has created an opportunity for the pan-Russian Muslim movement "Nur" to carve out a niche for itself in Dagestan's political landscape, possibly with the backing of Dagestan's Muslim clergy. (Liz Fuller)

QUOTATIONS OF THE WEEK. "I think the practice of using [the Karabakh] conflict to manipulate the situation in the region has shown itself to be completely bankrupt." -- Azerbaijani presidential advisor Vafa Guluzade, quoted in "Nezavisimaya gazeta," 27 February 1999.

"What we need from Moscow is understanding." -- North Ossetia's President Aleksandr Dzasokhov, interviewed by "Vremya MN," 24 February 1999.

"Ingushetia should not be compared with other federation subjects." Deputy Interior Minister Khasan Yandiev, quoted in "Izvestiya," 23 February 1999.

****

The RFE/RL Caucasus Report is prepared by Liz Fuller based on news and analyses from "RFE/RL Newsline" and RFE/RL's Armenian-, Azerbaijani-, Georgian- and Russian-language broadcasts.

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CREATOR: brdcast (brdcast@mx.jamestown.org@INET@LNGTWY [UNKNOWN])

CREATION DATE/TIME:12-APR-1999 07:38:00.00

SUBJECT: 12 April 1999 Monitor - Vol.V, No.70

TO: Carole Kitti (Carole Kitti@eop [UNKNOWN])
READ:UNKNOWN

TEXT:
Monday, April 12, 1999

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

IN THIS ISSUE:

* New warnings from Moscow over developments in the Balkans

* Russia says resolution of Kosovo conflict growing more remote

* Primakov counters Yeltsin and other critics...

*...defends cabinet, offers olive branches to Yeltsin

* A livid Berezovsky excoriates Primakov

* Ukraine's far left parties: no evident unity

* Yerevan gropes for uneasy balance between East and West

* Uzbekistan not writing off Tajikistan to Russian sphere

* Uzbekistan opposes Russian bases in Central Asia, sees analogy to South

Caucasus

THE RUSSIAN FEDERATION

YELTSIN ISSUES NEW THREATS OVER KOSOVO... Russia's worsening domestic

political turmoil appeared to spill over more definitively into its diplomatic dealings with the West when, on April 9, Moscow emitted a series of signals suggesting that it would harden its opposition to NATO military strikes on Yugoslavia. Various media quoted President Boris Yeltsin as warning that the introduction of NATO ground forces into the campaign against Yugoslavia could bring Russia into the conflict. More ominously still, State Duma speaker Gennady Seleznev said publicly that Yeltsin had ordered the retargeting of Russian nuclear missiles at those NATO countries involved in the air campaign against Belgrade.

That last claim in particular set off alarm bells in the West and an urgent series of consultations between Russian officials and their Western counterparts. There was some confusion in Moscow, moreover, as both the Foreign Ministry and the command of the country's strategic rocket forces denied that the Kremlin had ordered any such retargeting of Russia's missiles. In the end, there appeared to be some question as to exactly what Yeltsin had told Seleznev. A spokesman for Seleznev was quoted as saying that Yeltsin had said simply that such a move was possible, but only if the crisis in the Balkans worsened. He also described missile re-targeting reports as a "major information mistake." (Russian and Western agencies, April 9). In Washington, senior Clinton administration officials said that the Kremlin had assured them that Yeltsin would not retarget Russia's missiles (Washington Post, April 10).

There was, however, little question that Yeltsin chose to harden his rhetoric with regard to the conflict over Kosovo. In remarks broadcast by Russian television during his meeting with Seleznev, Yeltsin warned "NATO, the Americans and the Germans" not to push Russian toward military action in

Yugoslavia. "Otherwise," he said," there will be a European war for sure

and

possibly a world war" (Reuters, April 9).

Although Yeltsin has repeatedly denounced NATO in the strongest terms for its actions in the Balkans, his April 9 comments appeared to contradict what has become the Kremlin's standard line on the issue: that, despite its unhappiness over NATO strikes, Moscow will not let itself be drawn into the conflict. Yeltsin has also resisted calls from his political opponents to begin dispatching Russian military hardware to Belgrade. It was unclear whether Yeltsin's April 9 saber-rattling reflected a substantive change in the Kremlin's policy toward Yugoslavia--one in which Moscow might back up its anti-NATO declarations with some sort of tangible support for Belgrade. It also seemed possible that Yeltsin's remarks were intended more for his domestic political audience and were aimed at warding off criticism from his more hardline, pro-Serb political opponents. In a meeting today with parliamentary speaker Gennady Seleznev, Yeltsin--according to the presidential press service--said that the impeachment charges pending against him in the Duma should be debated now or dropped altogether (AP, April 12).

...RUSSIAN DIPLOMACY FAILS TO DETER NATO. Although Russian President Boris Yeltsin's April 9 remarks caused a stir in the West, they did not deter the NATO countries either from continuing their military buildup in Europe or from an intended intensification of the air campaign against Yugoslavia. Indeed, NATO supreme commander General Wesley Clark is quoted as saying: "We're going to continue with the mission exactly as planned, regardless of political and diplomatic atmospherics" (Reuters, April 9).

NATO's resolve was borne out by continuous attacks over the weekend and today. Early today, NATO planes launched a wave of strikes at military and industrial targets throughout Yugoslavia. One of the country's largest oil refineries was destroyed and the plant which makes Yugo automobiles was bombed anew (AP, CNN, April 12).

Meanwhile, on April 10, Russian leaders continued their efforts toward a diplomatic solution to the Balkans conflict. With an eye toward ending the NATO strikes, Yeltsin spoke with Italian Prime Minister Massimo D'Alema, Prime Minister Yevgeny Primakov spoke with UN Secretary General Kofi Annan, and Foreign Minister Igor Ivanov spoke with British Foreign Secretary Robin Cook. Afterward Ivanov conceded that Russia had made little headway in its efforts and suggested that a political solution was growing ever more elusive (AP, Russian agencies, April 10).

Russia's anger was reflected in yet another action over the weekend: The Russian Foreign Ministry said on April 9 that Russia would refuse to participate in NATO's fiftieth anniversary summit, scheduled for April 23 in Washington (Itar-Tass, April 9). Moscow's decision was not unexpected. Since the launching of NATO air strikes, Moscow has pointedly cut virtually all military-to-military contacts with the alliance.

Russian political leaders had already expressed ambivalence about participating. They particularly wanted to avoid any suggestion of Russian support either for NATO's enlargement plans, or for proposals--linked to a review of NATO's strategic concept--which could ultimately widen the alliance's mission in Europe and beyond. Moscow has now redoubled its criticism of any NATO move which would formalize its willingness to launch operations outside the territory of its member-states or without the express authorization of the UN Security Council.

In that vein, Yeltsin's foreign policy aide repeated the warning that Russia will consider amending its own military doctrine in the event that NATO undertakes a "large-scale action in Yugoslavia." Sergei Prikhodko refused to provide any information to indicate what changes Moscow might be pondering (Itar-Tass, April 9). But other Russian officials have indicated that the government intends to raise the level of defense spending while possibly also increasing the number of combat units fielded by Russia's armed forces.

Russian diplomatic activity continued today as Yeltsin met with Primakov in the Kremlin for talks on Yugoslavia, in particular the problem of a Russian humanitarian aid convoy stopped yesterday at the Hungarian border on its way to Yugoslavia. Hungarian officials said the five armor-plated vehicles in the convoy violated the international arms embargo on Yugoslavia. The Hungarians have halted the rest of the convoy, which includes more than sixty trucks, due to a fuel dispute. Yeltsin sent Minister of Emergency Situations Sergei Shoigu to Hungary to deal with the problem, and Russia's Foreign Minister Igor Ivanov called in the Hungarian ambassador to protest the decision to halt the convoy. As Russia stewed about this dispute, U.S. Secretary of State Madeleine Albright arrived in Brussels to meet with fellow NATO foreign ministers and reinforce alliance unity (AP, CNN April 12).

PRIMAKOV HITS BACK... Prime Minister Yevgeny Primakov took to the airwaves on April 10 with a televised address in which he defended his record and answered a less-than-ringing endorsement which President Boris Yeltsin had made the day before.

The highlight of the twelve-minute address, which was broadcast by RTR state
television and Russian Public Television (ORT), came when Primakov again repeated his claim that he has "no ambitions or desire whatsoever" to run for president. He then, with a certain amount of evident bitterness, said that "time limits" were being put on his work, adding: "Today I'm useful, but tomorrow--we'll see" (ORT, April 10). While he did not mention Yeltsin by name, this was a clear reference to Yeltsin's April 9 comments. During a meeting with the heads of the national republics, Yeltsin again denied he had plans to sack Primakov, calling it "nothing but speculation and rumor." But he followed this by saying: "At this stage, Yevgeny Primakov is useful

to us. And later on, we will see." Yeltsin also said he would not rule out measures to "strengthen" the cabinet--presumably meaning appointing new ministers of a "reform" orientation, and possibly firing the two leftist deputy prime ministers, Yuri Maslyukov and Gennady Kulik.

There may be a specific context for Yeltsin's comment about Primakov being "at this stage... useful to us." According to persistent rumors, the Kremlin is outraged by a comment Primakov allegedly made during a meeting not long ago with opposition leaders, when he said that the State Duma's impeachment process was not serving "our" cause. The Kremlin inner circle reportedly viewed Primakov's alleged use of the first person plural in relation to the communist-dominated opposition as an act of treachery, which may explain the formulation of Yeltsin's April 9 comments.

...DEFENDS HIS RECORD AS PRIME MINISTER. In his April 10 address, Prime Minister Yevgeny Primakov vigorously defended his record, claiming that his cabinet--which replaced the one headed by Sergei Kirienko following last August's financial collapse--had brought stability to the country at a time when it seemed to be on the brink of "open, possibly bloody confrontation" between the legislative and executive branches, hyperinflation, bankruptcy and a total collapse of the banking system. The prime minister also noted that the dire forecasts of economic collapse and hunger this past winter had not materialized. He, as he has done in the past, insisted that his government does not want to abandon "reform," but simply "correct" it.

Primakov also appeared to be going out of his way to avoid giving the Kremlin any pretext to go after him. He said that the attempt by the opposition in the State Duma to impeach Yeltsin, which goes to a vote on April 15 is "unsound" and "counterproductive," a "political game" which is "irresponsible and dangerous," and that Yeltsin should serve out his full constitutional term. Primakov also condemned the "war of kompromat," and said that he had on a number of occasions told Prosecutor General Yuri Skuratov, who has been at the center of recent scandals, that he should step
down, and still believed that Skuratov should go. Primakov then called rumors that he was behind the criminal cases against "several well-known businessmen"--an obvious reference to Boris Berezovsky and Aleksandr Smolensky, whose arrests were ordered last week--"utterly absurd."

On the other hand, Primakov, at the point in his speech where he referred to
Yeltsin's comments, insisted that the cabinet can work "productively" only if it receives "stable, unconditional support from the side of the [presidential] administration, the legislative and other structures." He also insisted that ministers could be removed only if they were not fulfilling their professional obligations or guilty of criminal acts (ORT, April 10).

Thus, while Primakov would appear to have been taking Yeltsin to task for the April 9 comment, he also appears to have left the door open to not stepping down if Maslyukov or Kulik are removed for having committed criminal offenses. Both figure in criminal investigations being carried out by the Prosecutor General's Office. Indeed, a television channel this weekend quoted unnamed Kremlin officials as saying that if the opposition in the State Duma insists on pushing ahead with impeachment, the criminal cases against Maslyukov and Kulik will be pushed forward and they, like Berezovsky and Smolensky, will have to flee abroad (TV-6, April 11).

BEREZOVSKY CALLS PRIMAKOV AN "ABSOLUTELY TOTALITARIAN" THINKER. In a live interview from Paris yesterday, Boris Berezovsky--who last week became the target of an arrest warrant issued by the Prosecutor General's office concerning alleged embezzlement from Aeroflot airlines--angrily lashed out at Prime Minister Yevgeny Primakov. The tycoon and former Commonwealth of Independent States executive secretary charged that Primakov is a person of "absolutely totalitarian thinking" who wants to take Russia back to "the previous regime." Berezovsky charged that Primakov was directly attacking private business in Russia and directly interfering in the media, particularly in the work of ORT, the country's main television channel which Berezovsky is also said to control. Berezovsky said that Primakov wants to change ORT into something resembling Soviet-era television, but said: "That won't happen." Berezovsky yet again called for a ban on the Communist Party of the Russian Federation (KPRF), which he called a fascist organization, while again defending President Boris Yeltsin, whom he called a person of liberal thinking despite his many mistakes.

Berezovsky again promised to return to Moscow this week but admitted he could be arrested upon his arrival. On the other hand, Interior Minister Sergei Stepashin said on April 9 that he does not plan to arrest Berezovsky,
adding that the tycoon had promised to return and clear things up, which, Stepashin said, would probably end the controversy (ORT, April 11).

THE WESTERN REGION

UKRAINIAN LEFT: PROGRESSIVE SOCIALISTS STAND ALONE, PEASANTS SUPPORT COMMUNISTS. It is generally believed that, despite strong nostalgic sentiments among the population for Soviet times, Ukraine's "reds" can win the presidential elections in October only if they come up with a single candidate. Prospects of an accord among the anti-reformist forces, however, look dim. At a congress of the far left Progressive Socialist Party on April
10, its leader, the outspoken populist "red" Natalya Vitrenko, proclaimed opposition to both the government and other leftist forces. Vitrenko, accusing Petro Symonenko's communists and Oleksandr Moroz' socialists of "betraying socialism" in favor of "bourgeois ideals," made it clear that a common electoral strategy with either of them--the two strongest leftist forces--is out of the question for her party (BBC, Studio 1+1, April 10).

Vitrenko, with an estimated 20 percent approval rating, runs neck and neck with incumbent President Leonid Kuchma in recent public opinion polls. Despite this, she is hardly electable, because of her radical views,

absence
of political allies, virtual isolation in parliament and scarce financial resources. However, in running for president, she would pull a considerable share of the protest vote away from the objectively stronger "red" candidates, Symonenko and Moroz.

Meanwhile, the chairman of the Peasants Party of Ukraine (PPU), Serhy Dovhan, reportedly said that the presidium of his party recently voted to back Symonenko's presidential bid. According to Dovhan, PPU's informal leader, Ukrainian Parliament Speaker Oleksandr Tkachenko, also voted for Symonenko (Den, April 10). The support of the PPU is important, because it means securing the vote of a large share of the docile and apolitical electors in Ukrainian villages, who are likely to cast their ballots as their collective farm bosses tell them. At the same time, an accord between PPU and the communists weakens the position of the ambitious Moroz, a moderate leftist who is regarded by Ukrainian analysts as capable of winning
against Kuchma if backed by a wide "red" coalition. The bloc of Moroz' socialists and the PPU scored the third strongest return among Ukrainian parties in the March 1998 elections. In October, however, the larger part of
PPU broke with Moroz and established their own faction in the legislature.--OV

THE SOUTH CAUCASUS

IS YEREVAN MISJUDGING AZERBAIJAN AND TURKEY? Armenian Foreign Minister

Vardan Oskanian's latest statement on the situation in the region seems to combine an overestimation of Russia's ability to press for a "common-state" solution to the Karabakh conflict, an equally exaggerated view of Turkish hostility to Armenia and an expectation--hardly warranted by the political or military situation--that Azerbaijan plans to recapture Karabakh and "cleanse it" of its Armenian population. "In the back of their minds they are thinking about a military option.... War is certainly in their interest.

Our concern is growing as the situation becomes increasingly protracted," Oskanian told a Western interviewer. Describing Azerbaijani President Haidar

Aliev's internal political position as vulnerable because of last year's controversial presidential election, Oskanian argued that such vulnerability

prevents Aliev from accepting the "common state" solution and may even impel

him toward a military scenario.

Oskanian, moreover, expressed concern lest Azerbaijan's overtures to NATO and Turkey pave the way toward a military solution to the Karabakh conflict.

"We feel a continuing threat from our neighbors. All of this makes us very nervous about our security. Russia is the only country which can guarantee that security now." That is why Yerevan has turned over to Russia a part of Armenia's entitlement of conventional weapons under the Conventional Forces in Europe (CFE) treaty, Oskanian said. Denying that Armenia was joining a Moscow-oriented, anti-Western "axis," Oskanian expressed hope that cooperation with Russia "would not preclude" relations with the West and NATO (Reuters, April 10).

CENTRAL ASIA

UZBEKISTAN TO COMPETE WITH RUSSIA IN TAJIKISTAN. As predicted (see the Monitor, April 8), Uzbekistan has lost no time in challenging Moscow's attempt to turn Tajikistan into a Russian satellite. On April 9 Uzbek President Islam Karimov initiated a bilateral meeting with his Tajik counterpart Imomali Rahmonov in Turkmenistan's capital of Ashgabat. The two presidents held their official meeting on the sidelines of a regular summit of the five Central Asian countries dedicated to the Aral Sea's chronic ecological problems.

Karimov and Rahmonov agreed that their respective military and security ministries would "soon" begin a series of bilateral consultations, to be conducted alternately in Tashkent and Dushanbe. The agenda of those meetings
will focus on "joint efforts" to combat terrorism, political and religious extremism, the illicit arms traffic and the drug trade. Karimov leaned on Rahmonov to subscribe to a joint communique acknowledging "the importance of
direct, regular interstate [Uzbek-Tajik] contacts" for the sake of "effective solutions to the problems facing the two countries and Central Asia as a whole." (Itar-Tass, April 9-10).

The wording of the communique and the planned military and security consultations are clearly designed to give Uzbekistan an influential voice in Tajikistan with a view to offsetting the Russian-Tajik alliance. That alliance is in the process of being formalized through the grant of military basing rights to Russian forces and the signing of a Russian-Tajik treaty. The Uzbek bid for influence in Tajikistan entails an economic dimension as well. At the Uzbek government's invitation, Tajik Prime Minister Yahie Azimov is expected today in Tashkent for talks on "mutually beneficial economic cooperation." Tashkent's moves reflect a sense of urgency in terms of opening some avenues of influence in Tajikistan ahead of the Russian-Tajik summit in Moscow.

KARIMOV CONDEMNS RUSSIAN MILITARY PRESENCE IN TAJIKISTAN. On the eve of and during his visit to Turkmenistan, Karimov expressed strong disagreement with the decision to grant basing rights to Russian forces in Tajikistan (see the Monitor, April 8). "Why are Russian military bases needed in Tajikistan? The pacification process is in full swing in Tajikistan. The war in Afghanistan has ebbed, as the warring parties realize that a military solution has no future. Tajikistan's neighbors may well ask: Against whom are those bases really aimed?... What countries are being targeted? The militarization of the region is being increased, instead of being decreased. New military bases could worsen the situation in Central Asia."

Karimov went on to compare the Russian military deployments in Tajikistan

and in Armenia, noting the destabilizing effects of such deployments on the neighboring countries in both regions (Itar-Tass, April 9). Tashkent has for
some time highlighted that analogy, citing it as one of the reasons for its decision to quit the CIS Collective Security Treaty (see the Monitor, February 5). Uzbekistan's assessment supports that of Azerbaijan and reflects Tashkent's stake in the independence of South Caucasus countries, which provide Uzbekistan's lifeline to Europe in circumventing Russia.

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