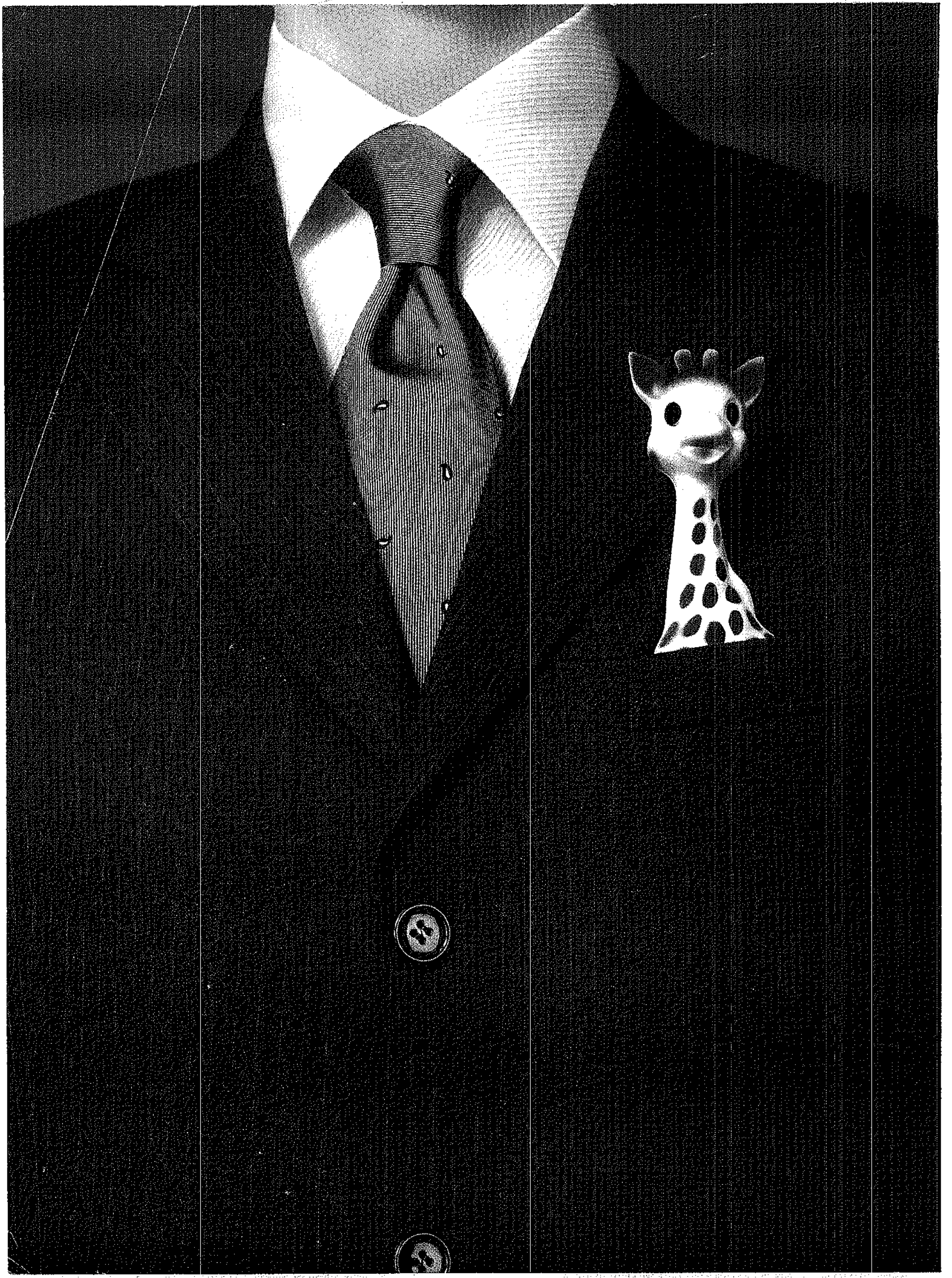
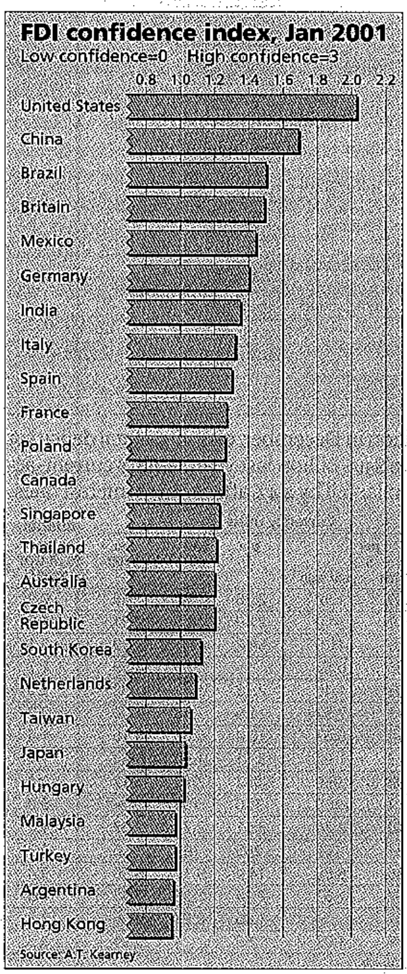


'GING-MARKET INDICATORS

...T Despite con-
...wn in its economy,
... most attractive des-
...n direct investment, ac-
...nual survey by A.T. Kear-
...gement-consulting firm. Exec-
...35 of the world's 1,000 biggest
...nies gave marks on a scale of one to
... for their likelihood to invest in foreign
...untries. Size matters. Though the sheer scale of the American market still pulls investors in, China and Brazil, two big emerging economies that are expected to grow quickly, now occupy the second and third spots. India is also in the top seven. The biggest shift in investors' outlook, says A.T. Kearney, has been towards Mexico. American firms rate their NAFTA partner as their top destination for investment. Executives have also brightened their view of Asian "tiger" economies. The ratings of both Singapore and Taiwan have improved markedly in the past year. Britain has dropped to fourth place, from second last year. Although the executives said that uncertainty over Britain's entry to the euro could affect investment, general economic performance and exchange rates mattered more.



FDI confidence index, Jan 2001

ECONOMY Brazil's GDP grew by 4.4% in the year to the fourth quarter. It was helped by a surge in industrial production, which climbed 7.5% in the 12 months to December. Turkey's monthly current-account deficit widened to a record $1.7 billion in November. Russia held $24.3 billion in foreign-currency reserves at the end of 2000, up from $8.5 billion a year earlier.

	% change on year earlier			Latest 12 months, $bn		Foreign reserves*, $bn	
	GDP	Industrial production	Consumer prices	Trade balance	Current account	Latest	Year ago
China	+ 7.4 Q4	+ 2.3 Jan	+ 1.5 Dec	+24.0 Jan	+15.7 1999	163.9 Nov	156.8
Hong Kong	+10.4 Q3	− 0.1 Q3	− 1.8 Dec	−10.9 Dec	+ 9.2 Q3	107.5 Dec	96.3
India	+ 7.2 Q4†	+ 6.5 Nov	+ 3.5 Dec	− 8.3 Dec	− 5.6 Q3	37.3 Dec	32.7
Indonesia	+ 5.1 Q3	+38.4 Q4†	+ 8.3 Jan	+28.3 Dec	+ 6.2 Q1	22.6 Dec	26.5
Malaysia	+ 7.7 Q3	+15.1 Dec	+ 1.4 Dec	+16.0 Dec	+11.3 Q2	29.5 Dec	30.6
Philippines	+ 4.8 Q3	+36.6 Nov	+ 6.9 Jan	+ 5.7 Nov	+ 9.1 Aug	12.5 Oct	12.8
Singapore	+10.5 Q4	+20.0 Dec	+ 2.1 Dec	+ 4.0 Nov	+21.6 Q3	77.5 Nov	74.3
South Korea	+ 9.2 Q3	+ 4.7 Dec	+ 4.2 Jan	+12.9 Jan	+11.7 Nov	96.2 Dec	74.0
Taiwan	+ 6.6 Q3	− 2.1 Dec	+ 2.4 Jan	+ 8.1 Jan	+ 7.5 Q3	106.7 Dec	106.2
Thailand	+ 2.6 Q3	+ 1.5 Dec	+ 1.3 Jan	+ 5.6 Dec	+ 9.2 Dec	32.0 Dec	34.1
Argentina	nil Q3	− 3.4 Dec	− 1.5 Jan	+ 1.1 Dec	−10.5 Q3	25.2 Dec	26.3
Brazil	+ 4.4 Q4	+ 7.5 Dec	+ 5.4 Jan	− 1.1 Jan	−24.6 Dec	32.5 Nov	42.2
Chile	+ 5.8 Q3	− 3.8 Dec	+ 4.7 Jan	+ 1.5 Dec	− 0.7 Q3	14.2 Nov	14.1
Colombia	+ 3.1 Q3	+ 0.2 Dec	+ 8.5 Jan	+ 2.3 Dec	+ 0.1 Q2	8.1 Dec	7.6
Mexico	+ 7.1 Q3	− 0.4 Dec	+ 8.1 Jan	− 8.0 Dec	−16.4 Q3	35.5 Dec	31.8
Peru	− 1.8 Dec	+ 0.9 Nov**	+ 3.9 Jan	− 0.4 Nov	− 1.6 Q3	8.5 Nov	8.9
Venezuela	+ 3.3 Q3	na	+ 12.6 Jan	+14.4 Jul	+11.8 Q3	13.1 Dec	12.3
Egypt	+ 6.5 2000‡	+ 9.4 2000‡	+ 2.4 Nov	−10.8 Q3	− 0.9 Q3	12.9 Oct	15.4
Israel	+ 3.0 Q4	+ 6.0 Nov	nil Dec	− 6.9 Jan	− 0.7 Q3	23.2 Jan	22.1
South Africa	+ 4.5 Q3	+ 4.1 Dec	+ 7.0 Dec	+ 3.2 Dec	− 0.7 Q3	6.1 Nov	6.3
Turkey	+ 7.4 Q3	− 4.2 Dec	+ 35.9 Jan	−27.4 Nov	−10.3 Nov	18.8 Nov	22.7
Czech Republic	+ 2.2 Q3	+ 1.4 Dec	+ 4.2 Jan	− 3.3 Dec	− 1.9 Q3	13.1 Dec	12.9
Hungary	+ 4.6 Q3	+10.1 Dec	+ 10.1 Jan	− 2.3 Dec	− 1.8 Dec	11.2 Dec	11.0
Poland	+ 2.2 Q4	− 2.2 Dec	+ 8.5 Dec	−11.0 Dec	− 9.9 Dec	25.3 Dec	24.5
Russia	+ 7.9 Q4	+ 2.5 Dec	+ 20.7 Jan	+59.8 Nov	+43.8 Q3	24.3 Dec	8.5

*Excluding gold, except Singapore; IMF definition. †1999. ‡Year ending June. **New series

FINANCIAL MARKETS Moscow gained 7.2% this week as speculative interest buoyed an already volatile market. Financial and construction shares helped push Seoul up by 4.8%, while Bangkok's gains from earlier in the week were reversed following MSCI's decision not to increase Thailand's country weights in its indices.

	Currency units			Interest rates	Stockmarkets	% change on		
	per $		per £	short-term	Feb 14th		Dec 31st 1999	
	Feb 14th	year ago	Feb 14th	% p.a.		one week	in local currency	in $ terms
China	8.28	8.28	12.1	5.40	2,077.3	− 0.8	+ 43.1	+ 43.1
Hong Kong	7.80	7.78	11.4	5.21	15,860.4	− 1.2	− 6.5	− 6.8
India	46.6	43.6	68.0	8.58	4,363.1	+ 1.2	− 12.8	− 18.6
Indonesia	9,603	7,425	14,021	15.04	423.2	− 4.8	− 37.5	− 54.1
Malaysia	3.80	3.80	5.55	3.30	714.5	− 2.0	− 12.0	− 12.0
Philippines	48.0	40.5	70.1	12.31	1,687.7	+ 1.7	− 21.2	− 33.9
Singapore	1.75	1.70	2.55	2.08	1,966.1	+ 1.2	− 20.7	− 24.3
South Korea	1,252	1,126	1,827	5.69	603.8	+ 4.8	− 41.3	− 46.8
Taiwan	32.3	30.7	47.1	5.15	5,887.7	+ 3.4	− 30.3	− 32.3
Thailand	42.4	37.7	61.9	2.75	315.3	− 3.7	− 34.6	− 42.0
Argentina	1.00	1.00	1.46	6.45	494.9	− 1.8	− 9.8	− 9.8
Brazil	1.99	1.77	2.90	15.28	17,120.1	+ 1.8	+ 0.2	− 9.7
Chile	560	513	817	4.21*	4,949.3	− 1.3	− 4.2	− 9.4
Colombia	2,243	1,947	3,275	13.33	839.7	+ 4.7	− 15.8	− 29.6
Mexico	9.73	9.37	14.2	17.07	6,360.1	+ 0.2	− 10.8	− 13.1
Peru	3.53	3.45	5.2	11.04	1,318.5	+ 0.2	− 28.2	− 28.5
Venezuela	703	659	1,027	16.22	7,706.9	− 2.7	+ 42.2	+ 31.2
Egypt	3.88	3.42	5.66	9.09	7,267.3	− 3.6	− 44.2	− 50.8
Israel	4.10	4.04	5.99	5.72	457.1	+ 2.9	− 6.2	− 4.8
South Africa	7.89	6.34	11.5	10.45	9,191.9	+ 0.4	+ 7.6	− 16.0
Turkey	683,085	564,050	997,372	46.00	9,971.7	+ 2.5	− 34.4	− 47.9
Czech Republic	37.6	36.3	54.9	5.31	465.7	− 4.2	− 4.9	− 9.1
Hungary	289	260	422	11.06	7,635.8	− 1.4	− 13.4	− 23.9
Poland	4.09	4.14	5.97	18.55	16,561.9	− 1.6	− 8.4	− 7.2
Russia	28.7	28.8	41.9	25.00	178.6†	+ 7.2	+ 4.7	+ 0.5

*Inflation-adjusted. †In dollar terms.

Sources: National statistics offices, central banks and stock exchanges; Thomson Financial Datastream; EIU; Reuters; Warburg Dillon Read; J.P Morgan Chase; Hong Kong Monetary Authority; Centre for Monitoring Indian Economy; FIEL; EFG–Hermes; Bank Leumi Le–Israel; Standard Bank Group; Garanti Bank; Deutsche Bank; *Russian Economic Trends.*

DATA ON MORE COUNTRIES ARE AVAILABLE TO SUBSCRIBERS AT WWW.ECONOMIST.COM

The Economist

POLITICS THIS WEEK

Architect of defence

President George Bush announced that he wanted to create a "new architecture" for defence by investing in new technologies and weapons systems, rather than tinkering with the old. He also declared "God bless NATO", taking his listeners by surprise.

Mr Bush was due to visit **Mexico**, his first trip abroad as president.

Outrage continued to swirl round **Bill Clinton** as he plunged into his post-presidential career. Under severe media pressure, he shifted his new office from swanky midtown Manhattan to low-rent Harlem, a place with which he claimed long and heartfelt connections. Meanwhile, Congress said that it wanted to look into Mr Clinton's pardon of Marc Rich, a fugitive financier. The US attorney in New York, Mary Jo White, said she would conduct a criminal investigation into the affair.

At least 225 people, including 22 children and their teacher in one school, were killed in an earthquake in **El Salvador**, the second in the past four weeks.

A 13-point deal was signed between **Colombia**'s President Andres Pastrana and the leader of the left-wing FARC rebels, Manuel Marulanda, renewing the life of a demilitarised zone controlled by the rebels and thus preparing the way for a ceasefire.

Mori in the rough

Japan's unpopular prime minister, Yoshiro Mori, became even less secure after he was criticised for continuing a game of golf after being told of an accident in which a Japanese trawler had been sunk by an American submarine, drowning nine people.

It was announced in **Hong Kong** that the financial secretary, Donald Tsang Yam-Kuen, would replace a champion of the territory's autonomy, Anson Chan Fang On-sang, as chief secretary. A banker, Anthony Leung Kam-chung, would take over from Mr Tsang.

Afghanistan's ruling Taliban told the United Nations to close its political office in Kabul, the capital, after American officials closed the Taliban's office in New York. Opposition fighters in Afghanistan seized Bamiyan, a town held by the Taliban.

Senators in the **Philippines** examined a bank account said to belong to the deposed president, Joseph Estrada. More than $60m had allegedly been withdrawn before Mr Estrada was ousted last month, accused by his opponents of corruption.

Thailand closed a crossing with Myanmar, after Myanmar's soldiers were reported to be massing on the border and firing into Thai territory. Myanmar said it was shooting at rebels.

Kohl's fine

Germany's former chancellor, **Helmut Kohl**, accepted a fine of DM300,000 ($141,000) for accepting secret and therefore illegal contributions to his Christian Democratic Union. If he agrees to pay, criminal charges against him will be dropped, but a parliamentary inquiry into the affair will continue.

Germany's new farm and consumer-protection minister, **Renate Künast**, fiercely criticised the European Commission's latest plan for culling more cattle in its effort to fend off BSE, or mad-cow disease.

The Social Democratic prime minister of **Sweden**, Goran Persson, said he would not hold a referendum before the next general election due in 2002 on whether Sweden, one of the three EU countries not within the euro-zone, would join Europe's single currency.

Ireland was formally reprimanded by the European Commission for the expansionary budget it plans for this year, but the Irish finance minister, Charlie McCreevy, refused to change it.

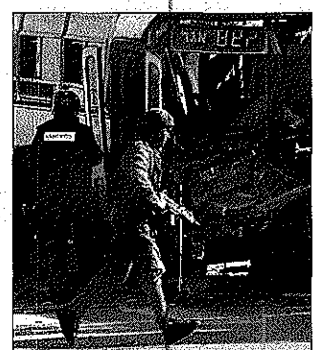
Protesters on the streets of **Ukraine**'s capital, Kiev, continued to call for their president, Leonid Kuchma, to resign, while a leading critic of his, Yulia Timoshenko, a deputy prime minister in charge of energy, was arrested for alleged corruption.

Jacques Chirac, France's conservative president, disagreed with a plan of Lionel Jospin, its socialist prime minister, for devolving powers to **Corsica**.

More peace talks

Leaders of several of the countries and rebel factions involved in **Congo**'s civil war met for peace talks in Zambia. But the presidents of Rwanda and Uganda stayed away.

Some 250,000 **refugees** remained trapped by fighting between the Guinean army and rebels encroaching from Sierra Leone and elsewhere. Ruud Lubbers, the new United Nations high commissioner for refugees, visited Guinea and Sierra Leone to arrange emergency aid and the evacuation of refugees.



Israel's military killed a senior Palestinian security official in a rocket attack. A Palestinian bus driver drove into a queue at a bus stop, killing eight Israelis and injuring 17 others, and raising tensions still further.

People flocked to the polls in **Bahrain**, an authoritarian Gulf emirate, to vote on a new constitution that would institute a partially elected parliament and grant women political rights.

Iraq's national airline resumed scheduled international flights for the first time since the Gulf war, in apparent defiance of UN sanctions.

ECONOMIC INDICATORS

OUTPUT, DEMAND AND JOBS Germany's industrial output rose by 0.7% in December. Its year-on-year growth quickened to 5.5%. Britain's unemployment, measured by total claimants, unexpectedly fell in January to within a whisker of one million—the lowest in 26 years. In the same month the jobless rate in Canada edged up to 6.9%.

% change at annual rate	GDP			The Economist poll GDP forecasts		Industrial production			Retail sales (volume)		Unemployment % rate		
	3 mths†	1 year		2000	2001	3 mths†	1 year		1 year		latest		year ago
Australia	+ 2.6	+ 4.2	Q3	+ 4.3	+ 3.2	− 1.5	+ 4.2	Q3*	− 0.8	Q3	6.7	Jan	6.9
Austria	+ 1.2	+ 1.9	Q3	+ 3.4	+ 2.4	na	+ 6.7	Oct*	− 1.1	Oct	3.3	Dec	3.6
Belgium	+ 2.0	+ 3.2	Q3	+ 3.9	+ 2.7	na	+ 7.3	Dec*	+ 6.4	Nov	10.7	Jan*	11.3
Britain	+ 1.0	+ 2.4	Q4	+ 3.1	+ 2.5	− 2.9	+ 0.5	Dec	+ 3.3	Jan	5.3	Dec‡	5.9
Canada	+ 4.8	+ 5.0	Q3	+ 4.9	+ 2.8	+ 1.2	+ 4.5	Nov	+ 4.6	Nov	6.9	Jan	6.8
Denmark	+ 2.0	+ 2.7	Q3	+ 2.6	+ 2.1	na	+ 8.6	Dec	− 1.0	Dec	5.4	Dec	5.4
France	+ 2.3	+ 3.0	Q3	+ 3.1	+ 2.6	+ 3.6	+ 2.3	Nov	− 1.5	Dec	9.2	Dec	10.6
Germany	+ 2.3	+ 2.8	Q3	+ 3.1	+ 2.4	+ 0.9	+ 5.5	Dec	− 2.9	Dec	9.3	Jan	10.1
Italy	+ 3.2	+ 2.7	Q4	+ 2.6	+ 2.2	+ 5.9	− 3.3	Dec	− 1.2	Nov	10.0	Oct	11.1
Japan	− 2.4	+ 0.5	Q3	+ 1.7	+ 1.4	+ 1.4	+ 3.8	Dec	− 1.1	Dec	4.8	Dec	4.7
Netherlands	+ 5.1	+ 3.1	Q4	+ 3.9	+ 3.0	+ 8.5	+ 9.4	Dec	+ 2.9	Nov	2.6	Dec§	2.7
Spain	+ 2.2	+ 3.9	Q3	+ 4.1	+ 3.1	+ 0.1	+ 4.4	Dec	na		13.7	Dec	15.1
Sweden	+ 3.9	+ 4.0	Q3	+ 4.0	+ 3.2	na	+ 9.9	Nov	+ 3.7	Dec	3.7	Dec*	5.3
Switzerland	+ 2.0	+ 3.6	Q3	+ 3.4	+ 2.2	na	+ 6.9	Q3*	− 2.0	Dec	2.0	Jan*	2.6
United States	+ 1.4	+ 3.5	Q4	+ 5.0	+ 1.8	− 1.1	+ 3.1	Dec	+ 2.6	Dec	4.2	Jan	4.0
Euro area	+ 2.4	+ 3.3	Q3	+ 3.4	+ 2.6	+ 5.4	+ 4.4	Nov	+ 1.2	Nov	8.7	Dec	9.6

*Not seasonally adjusted. †Average of latest 3 months compared with average of previous 3 months, at annual rate. ‡Oct-Dec; claimant count rate 3.5% in January. §Oct-Dec.

PRICES AND WAGES In January Britain's annual consumer-price inflation rate fell to 2.7%. Excluding mortgages, the rate was only 1.8%, the lowest since records began in January 1976. In the Netherlands inflation jumped to 4.2%, the highest since May 1992. In the year to January producer-price inflation slowed to 1.9% in Britain and to 3.8% in Germany.

% change at annual rate	Consumer prices*			The Economist poll consumer prices forecast		Producer prices*			Wages/earnings		
	3 mths†	1 year		2000	2001	3 mths†	1 year		3 mths†	1 year	
Australia	+ 1.2	+ 5.8	Q4	+ 4.6	+ 4.1	+10.2	+ 8.4	Q4	− 3.3	+ 5.0	Q4
Austria	+ 2.8	+ 2.6	Dec	+ 2.1	+ 1.7	+ 2.1	+ 3.2	Jan	+ 1.9	+ 2.2	Dec
Belgium	+ 0.7	+ 2.2	Jan	+ 2.6	+ 2.1	+16.2	+10.0	Nov	+ 3.7	+ 1.6	Q4
Britain	+ 1.3	+ 2.7	Jan	+ 2.4	+ 2.2	+ 0.2	+ 1.9	Jan	+ 7.0	+ 4.4	Dec
Canada	+ 2.5	+ 3.2	Dec	+ 2.7	+ 2.4	+ 4.9	+ 3.5	Dec	+ 0.7	+ 3.4	Nov
Denmark	+ 1.3	+ 2.3	Jan	+ 2.9	+ 2.3	+ 3.0	+ 3.9	Dec	+ 7.0	+ 3.8	Q3
France	+ 1.7	+ 1.6	Dec	+ 1.7	+ 1.4	+ 5.2	+ 4.7	Dec	+ 4.6	+ 5.3	Q3
Germany	+ 1.7	+ 2.4	Jan	+ 2.0	+ 1.5	+ 0.8	+ 3.8	Jan	na	+ 1.8	Nov*
Italy	+ 3.1	+ 3.0	Jan	+ 2.5	+ 2.1	+ 6.1	+ 6.2	Dec	+ 0.9	+ 1.7	Dec*
Japan	+ 0.7	− 0.2	Dec	− 0.7	− 0.4	+ 1.4	+ 1.2	Jan	na	+ 1.8	Dec
Netherlands	+ 2.3	+ 4.2	Jan	+ 2.5	+ 3.0	+ 7.4	+ 7.6	Dec	+ 1.4	+ 3.0	Dec
Spain	+ 3.0	+ 3.7	Jan	+ 3.4	+ 2.9	+ 4.8	+ 5.0	Jan	+ 3.2	+ 2.4	Q3
Sweden	na	+ 1.4	Dec	+ 1.3	+ 1.7	+ 6.7	+ 3.7	Dec	+ 0.1	+ 2.1	Nov*
Switzerland	+ 2.0	+ 1.3	Jan	+ 1.6	+ 1.4	nil	+ 1.4	Dec	na	+ 0.2	1999
United States	+ 2.7	+ 3.4	Dec	+ 3.4	+ 2.5	+ 3.5	+ 3.6	Dec	+ 4.8	+ 3.9	Jan
Euro area	+ 2.1	+ 2.6	Dec	+ 2.3	+ 1.9	+ 5.7	+ 5.4	Dec	+ 1.2	+ 1.8	Q3

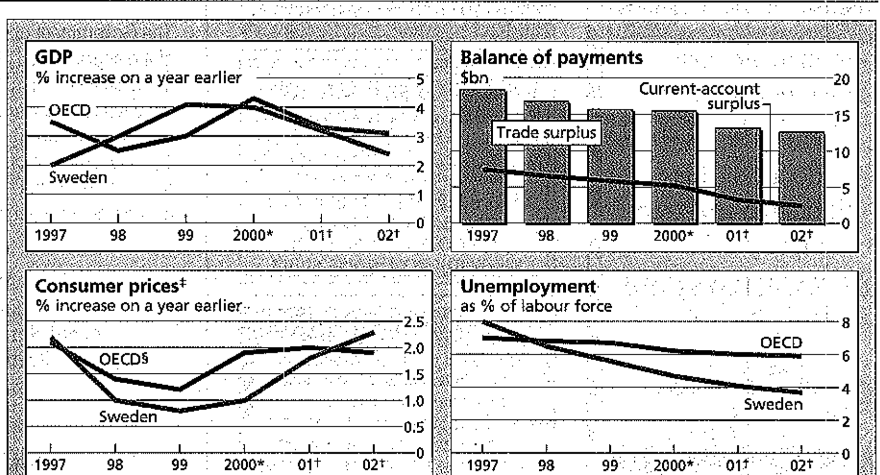
*Not seasonally adjusted. †Average of latest 3 months compared with average of previous 3 months, at annual rate.

The Economist COMMODITY PRICE INDEX America's timber manufacturers want the Bush administration to impose steep duties on Canadian softwood imports or negotiate a new bilateral pact when a five-year agreement expires at the end of March. They claim that Canadian mills get unfair subsidies, thanks to prices set by the government that provide them with cheap logs. (The Canadian government owns 95% of the country's timber.) The current pact between the countries limits imports to America by imposing a tariff above an initial quota. But record imports of Canadian softwood—95% of them tariff-free—still comprised a third of the American market in 2000. With timber prices at decade-long lows, it is no surprise that American mills are losing money and many have closed.

1995=100	Feb 6th*	Feb 13th*	% change on one month	% change on one year
Dollar index				
All items	71.8	71.2	− 1.9	− 5.3
Food	70.5	70.0	− 2.8	− 2.5
Industrials				
All	73.7	72.9	− 0.7	− 8.7
Nfa†	66.6	65.1	− 2.6	− 12.3
Metals	79.7	79.5	+ 0.6	− 6.1
Sterling index				
All items	77.6	77.4	− 0.7	+ 4.2
Food	76.1	76.0	− 1.6	+ 7.2
Industrials	79.6	79.2	+ 0.6	+ 0.4
Euro index				
All items	101.4	101.7	+ 0.2	+ 1.1
Food	99.5	99.9	− 0.8	+ 4.1
Industrials	104.0	104.1	+ 1.4	− 2.5
Yen index				
All items	87.9	89.0	− 2.2	+ 2.2
Food	86.2	87.4	− 3.1	+ 5.2
Industrials	90.1	91.1	− 1.0	− 1.4
Gold				
$ per oz	263.25	261.05	− 1.3	− 14.0
Crude oil North Sea Brent				
$ per barrel	28.58	28.09	+ 8.0	− 0.5
West Texas Intermediate				
$ per barrel	30.26	30.12	− 0.5	+ 0.1

* Provisional. † Non-food agriculturals.

■ SWEDEN The outlook for Sweden remains good, according to the OECD's latest assessment. The economic trauma of the early 1990s is now a distant memory. After two years in which the economy has grown at around 4% a year, the expansion is predicted to slow only modestly, to 3.2%, in 2001. Not until next year will the slowdown bring actual growth into line with potential growth, which the OECD calculates to be about 2.5%. The unemployment rate, which was above the OECD's average as recently as 1997, is forecast to continue its decline, reaching 4% of the labour force by 2002. The only small cloud on the horizon is inflation: it has been below the Riksbank's target of 2.0% for the past five years, but even with higher interest rates the OECD expects it to exceed the target in 2002.



Source: OECD *Estimate †Forecast ‡Private-consumption deflator §Excluding Greece, Hungary, Mexico, Poland and Turkey

DATA ON MORE COUNTRIES ARE AVAILABLE TO SUBSCRIBERS AT WWW.ECONOMIST.COM

LETTERS

The Economist, 25 St James's Street, London SW1A 1HG FAX: 020 7839 2968 E-MAIL: letters@economist.com

Bush and abortion

SIR—To say that George Bush's reinstatement of the "Mexico city policy" ("Trench warfare", January 27th) was not "particularly harsh in its impact" is an insult to the women, men and children who will suffer as a result. You have to live in a country where women can get safe and legal abortion to say something as casually dismissive as "in many parts of the developing world abortions are illegal anyway." This ignores the fact that unsafe abortion, particularly prevalent in those countries, kills thousands of women every year, and that it is precisely the programmes that the Mexico city policy hits the hardest that have the best prospect of saving those lives.

The policy is known as the "global gag rule" for the restrictions it places on the way organisations outside America use their own money. It stops people speaking out about abortion, whether it is to advise a woman about options open to her or democratically trying to stimulate a change in the law. This is nothing less than an affront to the principle of free speech, as guaranteed in America's constitution, and ironically will hurt those activities that reduce the demand for abortions worldwide by providing contraception.

The gag rule forces overseas community-based organisations like the International Planned Parenthood Federation (IPPF) to make an impossible decision: forgo desperately needed American family-planning assistance or sacrifice their rights and responsibilities regarding their clients. Either choice hurts the world's poorest and most marginalised communities. We had expected to receive \$8m from USAID for the period between September 2001 and August 2003. We will now lose this.

The social impact is unmistakable: under the gag rule recipients of American family-planning funds must give up the ability to provide legal health services and the right to take part in important policy debates in their own countries. To place these restrictions on family-planning choices disempowers women and men and, crucially, undermines their efforts to extricate themselves from poverty. That is harsh in anyone's book.

INGAR BRUEGGEMANN
Director General
London IPPF

Populist Klaus

SIR—I realise that to combine free-market ardour with a Eurosceptical tone, as you think Vaclav Klaus does, can be attractive (Charlemagne, February 3rd). But, alas, Mr Klaus is no free marketeer; indeed, he is the last person deserving the label Thatcherite. He never truly embraced the market. When he privatised the Czech economy his main concern was to keep it in Czech hands. Assets were sold (or, rather, transferred) to individuals and groups who borrowed from the Czechs' state-owned banks. And who got the loans? Political friends of Mr Klaus and his party. Under Mr Klaus not a single bank was fully privatised. Foreign direct investment remained low; the purchase of Skoda by Volkswagen was carried out despite the objections of Mr Klaus.

He is the worst sort of Central European politician, all too common at present, who knows how to play the nationalistic card and conducts politics in a crude and abusive manner. He invariably dubs his opponents, including President Vaclav Havel, as stupid, criminal, elitist, spoiled, middle-class and so on. Of course he does not understand the meaning of "civil society".

Prague JAN HENDRIK SIEMSSEN

Good pint

SIR—I must take exception with the comment made by John Wakely that "when Budweiser goes up against Tsingtao in China, what is the difference except price?" ("The big pitcher", January 20th). His taste buds must have gone walkabout. Your description of Budweiser as "watery fizz" is spot on; Tsingtao, along with Singha beer here in Thailand, has flavour. The only similarity to Budweiser is the fizz bit.

Bangkok PATRICK TAYLOR

People power

SIR—You bring to the fore legitimate concerns about the stability of the new Philippine government and the fate of democracy ("After the B movie, a new main attraction for Filipinos", January 27th). At the crux of the issue is whether the Filipinos judiciously used "people power" this time.

"People power two" might not have advanced the cause of democracy in the Philippines because it impinged upon the constitutional process of impeaching an ineffective and lawless president. Also, it was used not to oust a dictatorship but to eliminate immorality and corruption in government. But I would not fault the Filipinos for what they did. I would suggest, instead, that in the Philippines, as in many developing societies, the meaning and purpose of true constitutional democracy is yet to be adequately understood and appreciated.

For all their moral indignation (admirable in itself), Filipinos must allow democracy to flourish by allowing the rule of law to take hold; by aiming for genuine republicanism wherein leaders derive their authority from the enlightened consent of the governed and rule to promote people's interests over and above their oligarchic interests; by demanding from that government a fulfilment of its duty to secure and maintain individual rights and liberties; and, in the spirit of the principle of separation of church and state, by drawing from the Catholic church moral inspiration and not political agitation.

Burbank, California PRISCILLA TACUJAN

Football commentary

SIR—I am well aware that *The Economist* is a British-based newspaper but this does not forgive or explain all transgressions. You state that the NFL "ties American males to their sofas on Saturdays" ("Rage v Maniax", February 3rd). NFL games are played almost exclusively on Sundays. I suppose I should be thankful that you were able to restrain yourself from prefacing "football" with the modifier "American".

For future reference: baseball is played throughout the week, golf and tennis tournaments tend to finish on Sundays, and at my work our spirited departmental table-soccer outings usually take place on Wednesday evenings.

Evanston, Illinois JULIAN JAMISON

SIR—I read the piece on the XFL league with a sense of déjà vu. In the 1970s an American science fiction writer, Norman Spinrad, wrote a short story based on the concept of a TV network, locked out of mainstream American football, that devised an alternative version of the game to set up its own league unhindered by copyright rules. This began with the kind of (relatively) minor rule tinkerings planned by XFL. It rapidly moved on to a format where player armour was dispensed with, every form of violence possible without actual weapons was licit and, finally, where teams were consciously structured on

TRAVEL

BUSINESS & PERSONAL

APPOINTMENTS

racial and other group lines (there was a gay team, for instance) to improve audience identification with the sides. The whole thing was, of course, hugely popular.

Gillingham, Kent BRIAN DITCHAM

Israel's future

SIR—You criticise Ehud Barak's peace plan as not having worked, and Ariel Sharon's as being unworkable ("Saying no to peace", February 3rd). Fair enough; but Yasser Arafat has never submitted a peace plan of any kind, and has no intention of doing so. Why not criticise him?

Like any fully functioning democracy, Israel has its extremists, whom you label "crazies". Israel does a good job of marginalising its crazies. By contrast, the nearly two-dozen Arab governments, including Mr Arafat's dictatorship-in-waiting, have no problem with political crazies. They also have no democracy, no representative elections, no free speech or free press, etc.

You denigrate as "myth" the heartfelt Jewish belief "that Jerusalem should be Israel's eternal, undivided capital." Some two decades before the state of Israel was recalled to life in 1948, Arthur Balfour suggested to his friend Chaim Weizman that a Jewish homeland might be established some place other than in biblical Israel. Weizman asked Balfour if he, as an Englishman, would exchange London for Paris. "But we have London," protested Balfour. "Yes," answered Weizman. "And when London was a swamp, we had Jerusalem."

Miami MILTON HIRSCH

SIR—Ariel Sharon has not made public his plans for the occupied territories but it is likely that the present policies of collective punishment against Palestinian civilians and expansion of illegal settlements will continue. It is therefore important to restate Israel's obligations under international law.

On many occasions the international community has reaffirmed in the UN General Assembly and Security Council that Israel is an occupying power of Gaza and the West Bank, including East Jerusalem; and bound by the fourth Geneva Convention. This guarantees protection to Palestinian civilians in the occupied territories against torture, killings and the use of excessive, indiscriminate and disproportionate force, land confiscation and demolition of homes, and other measures whether applied by civilians or soldiers.

A new era of Israeli compliance with international law and respect for the human rights of Palestinians under its occupation is the only basis for progress. Such an era will not dawn if the international community continues to treat Israel as if it had a special dispensation to ignore its international obligations. We call on the British government, acting with its EU partners, to take a leading role in implementing practical measures to ensure Israel's adherence to the convention.

DANIEL MACHOVER
Lawyers for Palestinian Human Rights
London

Green and pleasant

SIR—You ask how prosperity and greenery are related ("Green and growing", January 27th). Yale University's Environmental Sustainability Index is certainly a commendable effort but is too complicated. The environmental intensity of economic activity, increasingly industrial activity, is the variable we have to control. Fortunately, there is a link between this imperative and greenery. The flip side of environmental intensity is eco-efficiency and resource productivity—concepts linked directly to competitiveness and open-market policies. Simple perhaps, but on target. Hard as it may be to accept, the global drive for competitive advantage may have within it a powerful driver toward sustainability—increasing efficiency and productivity.

OWEN CYLKE
Director
The Policy Group
US-Asia
Environmental
Partnership
Washington, DC

Catholic taste

SIR—The sad situation of the Catholic church ("Between this world and the next", January 27th) follows from the expectation that mere good intentions produce good solutions. On the contrary, what is needed is the application of rigorous and honest intellectual discipline. It has been believed, and still is, that such modish terms as "participation", "community" and "solidarity" would reinvent the church from the bottom up; and that other terms such as "ecumenism", "tolerance" and "understanding" would animate a moral and philosophical awareness. It has not happened. What has happened is a marginalisation of the church because it is perceived as both sentimental and authoritarian. It does not teach, it dogmatises; it does not guide, it confuses; it is no longer convincing nor uplifting, it has become an excuse to practice a faith on one's own terms.

The church has a role to play which goes beyond boldness or prudence and which relates to and is supportive of individuals faced with problems differently defined from even 25 years ago. Contraception is no longer a question of personal morality but is a matter for AIDS and the developing world; abortion is less a question of life than of feminine dignity; euthanasia relates not so much to death and murder as to charity; fears of genetic engineering are not to be exploited, they need a church to provide objective answers. These will not come from "below"; as diktats they will not be accepted.

Chazemais, France J. LE CLERCQ

SIR—You do not address the main problem of the vast institution that is the Catholic church. It is a most un-Christlike creation. Though founded on the teachings of Jesus it has lost its origins and has become irrelevant and unrecognisable. Jesus has been smothered by droning liturgies, lavish cardinals' robes, the hierarchy surrounding the "Vicar of Christ" and pagan incense pots swinging down the aisles. If there was to be a second coming, Christ would not fit in at all.

Greensboro, Georgia EDWARD RAPP

Reflating Japan

SIR—You repeat two common fallacies about reflating Japan's economy ("Coming out of denial", February 3rd). First, you claim that bond prices will collapse if the Bank of Japan raises its inflation target. This is not necessarily true, and depends on the difference between the inflation target chosen and the market-clearing real rate of interest, which in a liquidity trap is always negative. An inflation target of, say, 2%, might be too low to bring about a savings-investment balance if Japan's equilibrium real interest rate is, say, minus 2%. The result would be a short-term interest rate that remains near zero throughout the life of a long-term government bond.

Second, you claim that the Bank of Japan would suffer financial losses if it bought bonds whose yield subsequently rose because of rising inflation expectations. This also is untrue. The Bank of Japan would buy bonds yielding 1.5% with its own freshly minted money, which is a zero-coupon perpetual liability. Held to maturity, this generates a seignorage gain of 1.5% per year.

Hatfield, Hertfordshire PETER VON MAYDELL

Saving the surplus

SIR—Lexington's objections to tax cuts in America are theoretically sound but not practical (February 3rd). The reason for separating Washington politicians from a budget surplus is the same as for separating male and female school children on an overnight outing: there is a force of nature involved that does not always lead to rational behaviour.

As Congress goes through a process of "surplus awareness" the excitement will be too much and reason will not be brought to bear on fiscal policy. The problems facing Social Security and Medicare will not be addressed and a myriad of new problems and long-term consequences will be created. "Irrational exuberance" can manifest itself in fiscal policy as well as financial markets. I suspect Alan Greenspan's convoluted support of a tax cut is a pre-emptive strike.

Tokyo CHRISTOPHER HELD

Nugget of information

SIR—With BSE and the price-influencing European policy response, the Big Mac index (January 13th) must have lost some of its edge to gauge the competitiveness of the euro. Perhaps this is a good moment to switch to the Chicken McNugget index. Or would that be too reminiscent of the gold standard?

Washington, DC LUC EVERAERT

The Faculty of Arts of the University of Zurich invites applications for the position of

Professor of Comparative Politics

Applicants should have experience in comparative empirical research and knowledge in the field of different political systems. Prerequisite: "Habilitation" or equivalent qualification as university lecturer. The teaching language is German.

A curriculum vitae, a list of publications and further application materials should be sent to:

Dekanat der Philosophischen Fakultät der Universität Zürich, Rämistrasse 71, CH-8006 Zurich, Switzerland.

Application deadline: 13 April 2001

University of St.Gallen

The University of St. Gallen, Switzerland (Graduate School of Business, Economics, Law and Social Sciences - HSG) is seeking a candidate for a

senior position at the Full Professor Level

for its Institute for Technology Management (ITEM-HSG).

ITEM-HSG is a major research institute at the University of St. Gallen engaged in graduate teaching and research in the area of Manufacturing, Quality, Innovation and Supply Chain Management. It employs more than 50 faculty and staff members. The professor is expected to provide academic leadership in the area of Technology Management, with an emphasis on Innovation. Responsibilities include lecturing on the area of Technology Management at the Graduate level, supervising candidates for advanced degrees, spearheading sponsored research projects and industrial research consortia, and providing advanced executive education and international outreach. The candidate is also expected to be involved in the management of the Institute.

Interested candidates should have a Ph.D. or equivalent degree in a relevant area such as business administration or science of engineering, considerable teaching experience, a strong publication record and preferably management experience.

The successful candidate is expected to assume the position October 1, 2001 or at a mutually acceptable date.

Detailed application should include a current curriculum vitae, selected publications and names of references and should be sent to the President of University of St. Gallen, Professor Dr. Peter Gomez, Dufourstrasse 50, CH-9000 St. Gallen, Switzerland.

The application deadline is March 15, 2001. Applications will be kept confidential.

International HIV/AIDS **Alliance**

Supporting Community Action on AIDS in Developing Countries

The International HIV/AIDS Alliance supports community action on AIDS in developing countries. To support the growth of our work, we are recruiting the following two new positions in our UK secretariat:

Regional Co-ordinator: Latin America @ £40-45,000 plus excellent benefits. Candidates should have strong technical skills in community based HIV/AIDS programming and fluent **Spanish** (knowledge of Portuguese would be advantageous).

Field Support Manager: Finance @ £30-35,000 plus excellent benefits. Candidates should have strong skills in finance, management and accounting. Excellent **Spanish** and **French** required (Portuguese advantageous).

Application deadline **Friday March 23rd.**
For an information sheet about these posts and the Alliance, email: edix@aidsalliance.org

USA Management Consultants

Challenging, exciting positions for MBA's from top business schools with minimum 3 years experience.

To work in leading American Consultancies.

We arrange interviews, visa and relocation.

International Employment and Training Ltd
45 High St, Tunbridge Wells, Kent TN1 1XL, UK
Tel: 01892 516164
Email:info@jobsamerica.co.uk
www.jobsamerica.co.uk

***** WORK IN USA *****

195,000 EMPLOYMENT VISAS Available!
IT Professionals, Engineers, Accountants, etc.,
also, Affiliates (Recruiters) Welcome!!
Free Info! Send: Name & Address
Certified Worldwide LLC - Code # EC
P.O. Box 1829, Agoura Hills
California 91376-1829 USA
Fax: +1 818-879-9886 - Attn: WorkVisa
WorkVisa@GreenCardSpecialists.com
www.GreenCardSpecialists.com

Readers are recommended

to make appropriate enquiries and take appropriate advice before sending money, incurring any expense or entering into a binding commitment in relation to an advertisement. The Economist Newspaper Limited shall not be liable to any person for loss or damage incurred or suffered as a result of his/her accepting or offering to accept an invitation contained in any advertisement in the Economist.

BUSINESS OPPORTUNITIES

START YOUR OWN CASINO

Become owner of Internet Casino!
Best terms on the Web!
www.SALECASINO.COM

OFFSHORE BANK FOR SALE

Offshore Banks Beginning @ US$35,000
415.383.6200 (In US) 888.477.3030
E-mail: info@ownabank.com
www.ownabank.com
MADERA GROUP INC

BUSINESS TO BUY

Canadian investor seeks to purchase a controlling interest in a small, profitable E.U. business in manufacturing or service sector. Confidentiality assured.

Please mail reply to:
ME LORNE H. MARCHAND, ADVOCATE
1 Westmount Square, Suite 1400
Westmount, Quebec, H3Z 2P9
or email: lornemarchand@qc.aibn.com
fax: (514) 934-0227

Your reply by email would be appreciated.

BUSINESSES FOR SALE

EU-US Business Organization

Delivers full service consulting to European or American companies that are considering entering markets on the other side of the Atlantic. Many of our clients do business in the following areas: *Multimedia, IT, E-commerce, Bio-tech/High-Tech life sciences, Venture Capital Consulting, Franchising.* **www.eabo.org**
Tel: 212-972-3035 Fax: 212-972-3026

UNIVERSITY OF AMSTERDAM

Faculty of Economics and Econometrics
Department of Economics

The Faculty of Economics and Econometrics, Department of Economics invites applications for the position of an Assistant Professor of International Economics.

Assistant Professor of International Economics (F/M)

The appointment will be a full-time position, with a possibility for tenure. The salary will be based on qualifications and experience, with a maximum of Dfl. 9,150 gross a month.

Application:
Applications, together with a Curriculum Vitae, research papers and two recommendation letters, should be submitted within three weeks of appearance of this advertisement to:

The Personnel Department
Faculty of Economics and Econometrics
University of Amsterdam
Roetersstraat 11
1018 WB Amsterdam
The Netherlands

Information:
For further information, please contact Professor H. Jager, phone +31 20 525 4195, e-mail: jager@fee.uva.nl
For more information about the UvA: www.uva.nl
For more information about the Department of Economics: www.fee.uva.nl/ae

Economist/Financial Journalist

Bright economist with ability to write quickly and interestingly about monetary policy and other central banking topics required to join small team launching new on-line service for financial market participants worldwide. Good economics degree and two years' experience as financial journalist/financial analyst or similar essential. Great opportunity to join exciting new venture. Salary negotiable.

Write to:

Managing Director, Central Banking Publications Ltd
6, Langley Street, London WC2H 9JA
e-mail:rpringle@centralbanking.co.uk

Privatisation Transaction and Chemical Industry Experts

A leading U.K. consulting firm seeks European experts for long- or short-term participation in a privatisation project in Egypt. Experienced specialists in the following fields are invited to immediately apply:

- Privatisation transactions/negotiations
- International and Egyptian law
- Financial advisory and valuation
- Management information systems
- Distressed company/turnaround management
- Training and human resources redeployment
- Chemical and manufacturing industry specialists

All candidates must have prior experience in privatisation and corporate restructuring in the chemical industry. Knowledge of Arabic and international donor project experience in Egypt is a significant advantage.

Please apply **before 24 February** to e-mail: **EgyptPriv@Consultants.at**
Fax: +44 20 8846 4336

undp

UNIFEM *United Nations Development Fund for Women*

Adviser, Gender Budgets

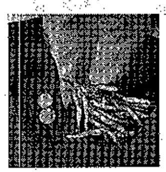
Within the Governance Section, the Gender Budget Adviser will support the implementation of a global gender budget initiative. Responsibilities include programme development and support to country offices in more than 20 in-country initiatives, involving global monitoring, evaluation, reporting and documentation, and support to the development of tools and capacity building activities. The Adviser will liaise with partner implementing institutions, support a Global Advisory Committee, coordinate strategic linkages with international and regional financial institutions, and develop partnerships with other relevant non-governmental organisations.

Candidates will have a post-graduate degree in Economics, Finance, Development or a related field. At least eight years of development-related work dealing with gender issues and project and programme development, and experience and/or strong networks in more than one major geographic area. Good knowledge and contact with specialist agencies, intergovernmental organizations and NGO networks worldwide. A proven track record in programme implementation and management in working on women's empowerment issues would be a distinct advantage. Fluency in English and either French or Spanish required.

The United Nations Development Fund for Women (UNIFEM) provides financial and technical assistance to innovative programmes and strategies that promote women's human rights, political participation and economic security. UNIFEM works in partnership with UN bodies, governments and non-governmental organizations and networks to promote gender equality.

Please send CV or UN Personal History Form (P11) to the attention of Sally Campbell, in English, by fax: (1-212) 906-6705 or e-mail: sally.campbell@undp.org. **Deadline for submissions is 2 March 2001.** Only short listed candidates will be contacted. For more information about UNIFEM's governance programme, see http://www.unifem.undp.org

Accountable



Oxfam works with others to find lasting solutions to poverty and suffering.

POLICY ADVISER – FINANCE & SOCIAL POLICY

Oxford **36 hours p.w.**
£24,500 **Contract: 4 years**

We seek a social economist to contribute to work on a wide range of poverty issues, including social sector financing, international markets, financing for development and economic reform. Leading the research and advocacy work of the team, you will focus on the themes of improving access to basic services and making markets work for the poor, working with colleagues globally and in Oxford. You will also represent Oxfam at the highest level with external agencies and the media.

Highly motivated, with excellent research and communications skills, you will be educated to Masters level in economics or social science, with proven ability in complex economic policy analysis. Specialist knowledge in the field of finance and social policy, market reform and poverty reduction is essential, and a clear understanding of development issues, including a strong gender perspective, is expected.

Closing date: 2nd March 2001
Reference: ID/POL/PA/RB
For further details, please send a large SAE, quoting appropriate reference, to: International Human Resources, Oxfam, 274 Banbury Road, Oxford OX2 7DZ, or e-mail: ihrapps@oxfam.org.uk

Oxfam

www.oxfam.org.uk Diversity The difference starts with you

northumbria

Appointment of Vice-Chancellor

The University of Northumbria is recognised as the leading post-1992 university. With 22,000 students in higher education located on four campuses, Northumbria's income exceeds £100 million. The requirement is to appoint a Vice-Chancellor from September, 2001.

Northumbria seeks an outstanding leader with strategic vision and a proven track record of personal achievement, in running large, complex enterprises, ideally in higher education. Building on a record of widening access to higher education, whilst maintaining excellent quality, Northumbria is ambitious for the future. Successful candidates must have the stature, presence and management style to lead Northumbria in a fast-changing, global educational and business environment and to be able to inspire, amongst other things, the creative generation of new and additional sources of income, in support of the University's academic objectives. Possessing excellent internal and external communication skills, he/she must be an effective ambassador for the University, regionally, nationally and internationally.

This is a highly challenging position for exceptional candidates who possess the determination and commitment to lead Northumbria, building upon an existing dynamic culture of excellence and enterprise and taking the University forward to new dimensions of success.

Requests for further information, and subsequently applications, in the form of a comprehensive CV and covering letter including remuneration details, should be made to: Claire Lane, Heidrick & Struggles, 100 Piccadilly, London W1V 9FN. Fax: 0207 491 5991 Email: lac@h-s.com.

Closing date for applications is: Friday 16 March 2001.

UNIVERSITY of NORTHUMBRIA at NEWCASTLE

HEIDRICK & STRUGGLES
MORE THAN 70 OFFICES WORLDWIDE

United Nations Environment Programme

UNEP

برنامج الأمم المتحدة للبيئة • 联合国环境规划署
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

GLOBAL ENVIRONMENT FACILITY COORDINATION OFFICE (GEF)

TITLE/ LEVEL/VACANCY ANNOUNCEMENT NUMBER/ DUTY STATION:

(1) Scientific Coordinator, (L-6) NA-01-05 Geneva
(2) Programme Officer (Asia/Pacific), (L-4) NA-01-03 Geneva
(3) Programme Officer, (Latin America and the Caribbean), (L-4) NA-01-04 Geneva
(4) Programme Officer (Africa), (L-4) NA-01-02 Nairobi
(5) Programme Management Officer (Fund Management), (L-3) NA-01-06 Geneva

DURATION OF PROJECT: Three and a half years
DEADLINE FOR APPLICATIONS: 28 February 2001

The United Nations Environment Programme (UNEP) is seeking to recruit a team of 5 highly qualified and dedicated professionals for the implementation of a Biosafety Project financed by the Global Environment Facility aimed at assisting 100 eligible countries to prepare for the entry into force of the Cartagena Protocol on Biosafety. The project will entail providing assistance to governments to develop their National Biosafety Frameworks as well as promoting regional and sub-regional cooperation.

The team, co-located between Nairobi and Geneva comprises a Scientific Coordinator at L-6 and three Programme Officers at L-4 for Africa, Asia/Pacific, and for Latin America and the Caribbean Regions and a Programme Management Officer (Fund Management) at L-3.

An internationally competitive salary and benefits at standard UN rates will be offered.

For more information visit the UNEP's web page at http\\www.unep.org or e-mail: gefinfo@unep.org

Interested applicants are requested to send detailed CV before 20 February 2001 to the Chief of Classification and Recruitment Section, Human Resources Management Services, United Nations Office at Nairobi (UNON), P O Box 67578, Nairobi, Kenya. Fax: (254) 2 524212/624

IN ALL CORRESPONDENCE/INQUIRIES PLEASE QUOTE THE RELEVANT VACANCY ANNOUNCEMENT NUMBER.

IAMA

The International Food and Agribusiness Management Association, IAMA, is a Worldwide Educational Forum which brings industry leaders from all segments of the global food chain together with the teaching and research faculties of over 100 universities and government policy makers. Through an annual World Food and Agribusiness Forum, publications, and professional networks, IAMA fosters the discussion and examination of the critical ideas and technologies needed to create a highly productive and efficient food system that is responsive to the needs of consumers across the globe. To substantially expand its contribution to those goals, IAMA is seeking to fill the position of Executive Director (chief administrative officer), with the responsibility for directing all program and administrative activities of IAMA.

Principal functions of the Executive Director include:

- Engage the Board and membership in establishing and implementing policy;
- Active pursuit of membership growth and fund-raising to support IAMA programs;
- Develop and produce the annual IAMA global educational forum;
- Expand the global reach of IAMA through active networking with related organizations and businesses.

Requirements/Qualifications: The Executive Director will bring significant experience (minimum of 10 years) at the senior executive level of industry, academia, or government, providing established networks and knowledge of the global agribusiness and food industry.

- Demonstrated excellence in leadership skills, knowledge, and experience working with business executives, university faculty, researchers, and government officials;
- Knowledge of the global food system and an appreciation for many different cultures;
- Ability to recruit new members and motivate current members in achieving IAMA goals;
- Strong positive approach to expanding corporate membership and sponsorships through demonstrating the value of a global professional, membership based organization;

Compensation Package: $100,000 to $135,000 USD commensurate with experience plus health and retirement benefits. The IAMA Business Office is located at Texas A&M University, College Station, Texas, U.S.A. The Executive Director may choose to locate at this office or to work from another location, subject to the approval of the Board.

Contact and Application: Application deadline is March 3, 2001. Interested individuals should send a letter of application (2 page) along with a résumé. The letter should state clearly the applicant's qualifications, and brief statement of philosophy or approach to the Executive Director's role of IAMA. The letter and résumé should be in MS Word or WordPerfect format and submitted electronically to the attention of Russell Garrett at iama@tamu.edu. <http://www.ifama.org>

INTERNATIONAL IDEA INSTITUTE FOR DEMOCRACY AND ELECTORAL ASSISTANCE

International IDEA (The International Institute for Democracy and Electoral Assistance) promotes and advances sustainable democracy and strives to improve and consolidate electoral practices world wide. International IDEA is an intergovernmental organisation founded in 1995 with 19 member states and 5 international NGOs as associate members. Independent of specific national interests, International IDEA provides a forum for interaction and experience sharing among a wide variety of global actors involved in democracy promotion. International IDEA is based in Stockholm, Sweden, and currently employs 65 staff from 30 countries. Due to expected growth, applications are now sought for the following position:

Deputy Secretary-General

Duties and Responsibilities

Under the overall authority of the Secretary-General the Deputy Secretary-General (DSG) shall:

- ❖ Assume the operational leadership within the Institute, and be responsible for all operational aspects of its work with particular attention given to:
  - Institutional programme planning and monitoring with a view to ensuring integrated programme planning and co-ordinated programme implementation;
  - Financial management co-ordination;
  - Human resource planning and management;
  - Development of appropriate management information systems.
- ❖ Play a key co-ordination role in the Management Committee (MC), particularly in its development and maintenance as a self-managed, decision-making body providing regular and timely operational guidance throughout the organisation
- ❖ Act as a main policy adviser, together with other members of the MC, to the Secretary-General, on strategic matters for the Institute
- ❖ Assume supervisory responsibilities for all operational staff of the Institute, including programme and support division directors

Qualifications and skills

- ❖ Proven management and team-building skills
- ❖ Strong communication and presentation skills, written and spoken
- ❖ Extensive experience in managerial positions in an international/intergovernmental organisation or a governmental organisation that deals with international affairs
- ❖ Ability to operate effectively in a multi-cultural environment, be gender-sensitive
- ❖ Advanced university degree in international relations, political science, law or related fields
- ❖ Fluency in English, any other languages an advantage

Visit our web site: http://www.idea.int for the full job details.
Copies of Vacancy Notice 01/05 may be obtained from Ms Kristiansen
Telephone +46 8 6983725, Fax +46 8 20 24 22,
applications may be addressed to m.boudard@idea.int
or IDEA 103 34 Stockholm, Sweden.

Deadline 15 March 2001

Falkland Islands Government

Economic Adviser c£50,000 + 25% gratuity

(two year contract)

The Falkland Islands is an Overseas Territory of the United Kingdom, self-sufficient in all government services other than defence. GNP is around £55 million, with a population of 2600. Principal industries are the offshore fishery, and wool, with future potential in tourism and in minerals exploration.The fishery nets government around £25 million pa, and offers scope for considerable development. Agriculture earns around £2.4m pa but is heavily subsidised, and is undergoing diversification. Economic development initiatives are promoted by a Falkland Islands Development Corporation.

The Economic Adviser reports directly to the government's Chief Executive, as the senior economist. He or she gives "macroeconomic" advice, but will be particularly involved in assessing and guiding economic change in the principal industries. For this reason, we are keen to recruit a senior economist with successful experience ideally in fishery, or our other businesses, as well as having some public sector experience. Postgraduate qualifications would be advantageous.

The post is for two years in the first instance. Benefits include a world class environment, relocation and education grants, flights home and favourable tax rates, and a 25% terminal gratuity.

Further details from **Falklands Islands Government Office, 14 Broadway, London,** Tel: 020 7222 2542, Fax: 020 7222 2375, email recruitment@figo.u-net.com. To discuss the job, email or telephone the Chief Executive, Michael Blanch mblanch@sec.gov.fk, Tel: (500) 27110.

Closing date for all these applications is Monday 12 March 2001.
Interviews will be held in London after Easter.

State Government Victoria — Department of Education, Employment and Training

DIRECTOR

VICTORIAN QUALIFICATIONS AUTHORITY

The State Government has announced a revamping of Victoria's public education and training authorities which includes the establishment of a new Victorian Qualifications Authority, (Victoria, a state in Australia).

The Director of the Victorian Qualifications Authority will manage and provide strategic direction to the Office of the Authority to facilitate the achievement of its objectives.

The objectives of the VQA are to:

- develop and monitor standards for education and training after year 10
- ensure and support appropriate linkages between qualifications, and
- facilitate procedures to make it easier for people to re-enter education and training and to acquire qualifications throughout their lives.

The Director will be required to provide authoritative and timely advice and report to the Minister on post compulsory education and training courses and qualifications. The Director will possess a genuine ability to manage people in an educational context and a proven capacity to liaise effectively with senior management, heads of related authorities within the portfolio and of educational institutions (at a state, national and international level), and members of the education and training and business communities.

Normal State Government Executive contract arrangements would apply. It would be a requirement for the successful applicant to sign an employment contract for a period of up to five years.

Further enquiries should be referred to Kathy Townsend on (613) 9639 5966.

Written applications should be lodged by **Friday 9 March 2001** with Kathleen Townsend Executive Solutions, Level 12, 30 Collins Street, Melbourne, 3000, Australia.

sold to the Museum of Modern Art in New York a Mona Lisa, mischievously painted in the style of an abstract expressionist. Sales of his paintings began to rise, and in 1979 his work was crowned with a retrospective at the Hirshhorn Museum in Washington, DC. (This success did not come without family misfortune: in 1974 a car smash had killed his small son and left him badly injured.)

Does the adversity show? Crossing his arms and raising his chin, Mr Botero says: "I have never been guided by what critics say, but by what I admire in the history of art." It sounds arrogant. But he concedes that landscape—"empty space"—has defeated him, and he ends with the thought that he will never resolve anything completely.

Mr Botero still works every day in one of his many studios on either side of the Atlantic. But not in Colombia, where a kidnapping threat hangs over the rich or famous (he is both). If peace came to his country, he says, he would love to return home, adding—as matador or painter?—that maybe he could then "teach someone a thing or two."

South African cartoonists

Inky devils

JOHANNESBURG

THE DEVIL MADE ME DO IT. By Zapiro. *David Philip; 160 pages; 72 rand.*

THE MADAMS ARE RESTLESS. By S. Francis, H. Dugmore and Rico. *Rapid Phase; 176 pages; 77 rand.*

PENPRICKS: THE DRAWING OF SOUTH AFRICA'S POLITICAL BATTLELINES. By Ken Vernon. *Spearhead Press; 200 pages; 153 rand*

JONATHAN SHAPIRO had yearned to be a cartoonist since he was small. But growing up in South Africa under apartheid, he was not free to do as he pleased. As a young white man, he was conscripted into the army, where he was harassed for his radicalism, and put on sentry duty with a dummy rifle made of wood and lead piping. His drawing skills were forcibly squandered on menu illustrations and get-well cards for officers injured in stupid accidents, such as the one who burned himself trying to douse a *braai* with petrol.

In his spare time, Mr Shapiro drew satirical cartoons for underground pamphlets. The authorities objected. His work was periodically banned. He was hauled out of bed at night by the security police, frequently interrogated and briefly jailed. At one point, he was forced to go into hiding behind granny glasses, inexpertly dyed orange hair and a goatee.

It was easier then to be a cartoonist in South Africa. "It is much harder now," says Mr Shapiro. "In the old days, you knew where you stood, and who the enemy was. But now I have to take a more nuanced line."

Such sentiments are common. The end of apartheid deprived South African artists of a bottomless treasure chest of material. At least one cross-dressing comedian took a year off to find his bearings and uncover new targets. Newspaper cartoonists, by contrast, obliged to produce a new doodle every day, had to grapple with the new order straight away. On the whole, they have done a good job.

Mr Shapiro, who goes by the *nom de crayon* "Zapiro" (see cartoon below), is the best. Last year, when the South African government was pondering whether to send peacekeeping troops to Congo, Zapiro showed with a single cartoon why this would be impractical. A South African soldier at a roadblock sees the tip of a rocket-propelled grenade launcher protruding from a bush. "Halt," he cries, "Who goes there?" The guerrilla in the bush replies: "Congolese Rally for Democracy." "Hang on," says the peacekeeper, and he turns to consult a chart of parties to the Congo war, on which seven groups are listed as "friend", eight are listed as "foe" and ten are listed as "not sure". The Congolese Rally for Democracy, by the way, is labelled "not sure", along with the Congolese Rally for Democracy (breakaway). Congo has grown no simpler since President Laurent Kabila was shot dead last month.

Before 1994, Zapiro unhesitatingly supported the black liberation movement. Now that the liberators are in government, he is still sympathetic, but lampoons the abuses that power makes possible. Crooked officials feel the jab of his pencil, but he cheers on Willem Heath, a courageous judge who was in charge of collaring them. In one cartoon, Mr Heath is depicted as a character from "Ghostbusters", entering a spooky-looking government building to smoke out the "ghosts"—dead workers who still draw salaries.

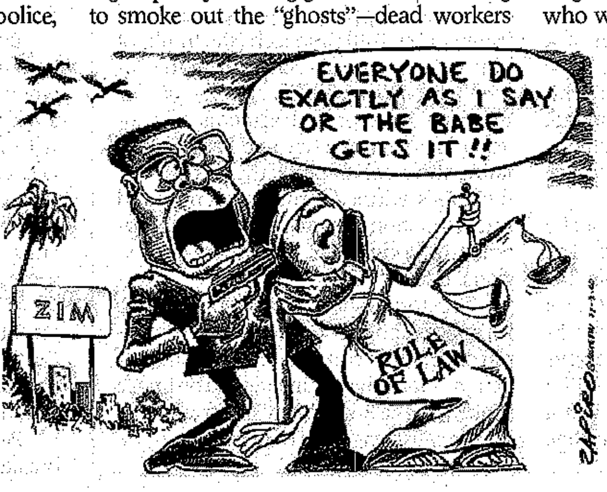
The new regime has surprised many by pursuing cautious fiscal and monetary policies. Economists applaud, but macroeconomic orthodoxy has yet to spur growth, and the poor are still poor. Zapiro shows a woman with a baby strapped to her back, washing clothes in a puddle outside her shack. Her son sits on a crate nearby, reading a newspaper. "You'll be glad to know," says the boy, "that according to the analysts, the economic fundamentals are in place."

For lighter, but still barbed cartoons, try Madam and Eve. This popular strip (now also on TV) tells of a white "madam"—big perm, big earrings, BMW—and her black maid, Eve. The three cartoonists, S. Francis, H. Dugmore and R. Schacherl, take South African stereotypes and gently play with them. Gwen, the madam, is bossy, stingy and idle. How many madams does it take to change a lightbulb? Two: one to watch TV and the other to call the maid. Eve, much the smarter of the two, is forever devising new ways to make extra money or goof off.

When this formula flags, the cartoonists throw in topical fantasies. For example, the soccer official who denied South Africa the chance to host the World Cup in 2006 visits the country and is sent bungee-jumping with only knotted bedsheets to break his fall. The authors even South-Africanise old nursery tales. Rapunzel lets down her hair from her window only to see it singed on an electric fence below. Hansel and Gretel nibble at the witch's gingerbread house, whereupon the witch hits her panic button and summons security guards.

Finally, for anyone interested in the past but lacking the energy to read a more academic tome, Ken Vernon, a journalist, has compiled a cartoon history of South Africa. It is impressionistic, but revealing. Nineteenth-century cartoons are either pro-British or pro-Boer; blacks appear only as peripheral savages. By the latter half of the 20th century, though, the drawings show a struggle between those who wanted to grant more rights to blacks, and those who wanted to deny them.

A cartoon by John Jackson in the *Cape Argus* in 1959 was especially prescient. It shows Hendrik Verwoerd, the then prime minister, trying to lead two ferocious dogs over a narrow bridge, each straining at the leash to bite the other. One dog is labelled "apartheid", the other represents the South African economy. Partly because it was so difficult to do business when the law compelled firms to hire by skin colour instead of skill, apartheid South Africa stagnated. It is a lesson the country's current rulers would do well to heed.



long run counter-productive, to expect the cost of this aid to be met out of drug-company profits. Instead, rich-world taxpayers should pay. It would be much better to spend aid money on drugs for developing countries than it is to waste it in the usual ways.

Far from compromising science, profit in both these cases—the development of new medicines and the elucidation of the genome—has animated it, and directed it towards meeting pressing human needs. It is a happy marriage. Davy and Pasteur would surely have approved.

Indonesia's divided leaders

Indonesia cannot afford both an incompetent president and an equivocating vice-president. If only they would pull together

PLAIN speaking is not one of Megawati Sukarnoputri's strong points. So when Indonesia's vice-president this month said her country had never been in a worse state since its foundation 56 years ago, her words carried quite a punch. But, as usual, Miss Megawati was not as clear as she might have been. That she spoke out at all was an implicit criticism of the president, Abdurrahman Wahid, and carried the hint that she might be ready to replace him, just 16 months into his five-year term. But such nods and winks serve only to heighten instability. It would be better if Miss Megawati made an open bid for power, or, failing that, threw her support wholeheartedly behind the president.

Her lament was an exaggeration: Indonesia, sadly, has been through worse than this before, both during the slaughter that accompanied the rise to power of ex-President Suharto in 1965-66 and in the bloodshed and economic collapse that precipitated his downfall over 30 years later. But Miss Megawati was right that her country is in a mess (see page 27). The economy has never fully recovered from the whirlwind of 1997-98. Political uncertainty deters foreign investors, while the IMF and aid donors are exasperated by the slow progress of reforms that have been promised and, worse, the attempts to reverse some, such as the new independence of the central bank, that have actually been achieved.

Mr Wahid, who has suffered two strokes and is nearly blind, now faces a drawn-out process of impeachment for alleged corruption. Demonstrations for and against him have turned violent. He has flirted with declaring some sort of martial law, but his promises to bring to justice those guilty of plundering the nation during the Suharto years have proved largely empty: witness the failure of the police to arrest Mr Suharto's son, Tommy—hardly a shrinking violet or master of disguise. Separatist pressures mount at either end of the huge archipelago, in Aceh to the west, and Irian Jaya to the east, while communal killings disfigure the Moluccas.

All of this matters far beyond Indonesia's borders. With its 210m people, its troubles cast a shadow over the whole region. Its neighbours treat it indulgently out of fear not so much of its strength but of its weakness, and of the spectres that evokes: in the short term, economic stagnation; in the long term, waves of refugees, pirate-infested seas and a power vacuum to be filled by competitors such as China.

Is this the president's fault? Yes, partly. Many, including this newspaper, gave a cautious cheer when Mr Wahid took office. His record as a Muslim leader known for his tolerance, and for his long-standing, if often bewildering, commitment to democracy, suggested he might, however improbably, make a success of the job. In fact, he has done some good. His government has tried to reduce discrimination against the Chinese minority, for example, and has at least tried to talk to separatists. But too many of his policies have been vague. When they have been clear, they have soon changed, or, as with the sensible-seeming efforts to give greater autonomy to the provinces, they have been botched. Moreover, the style that suited Mr Wahid when he was the dissident leader of a non-governmental organisation does not work now that he is president. His jokey way of shrugging off trouble once seemed charming. It has become a refusal to face criticism, punctuated by ill-tempered bouts of ineffectual authoritarianism.

Megawati's mini-voltage

Mr Wahid's popular support stems from his former leadership of Nahdlatul Ulama (NU), a Muslim social organisation with more than 30m members, founded by his grandfather. He used to acknowledge that this gave him a kind of feudal power that, he said, he could use to foster democracy. It can no longer be taken for granted that his democratic instincts lie deeper than the feudal ones. Unfortunately, exactly the same could be said of Miss Megawati, whose prominence originally stems from the reverence felt for her father, Sukarno, Indonesia's first president. Too often in recent years Miss Megawati has appeared aloof from the rough-and-tumble of democratic politics, as if, like a queen, she could simply wait for the mantle of power to alight on her shoulders. This, her supporters would say, is the way things are done in Java.

But not in a democracy. Miss Megawati does have one strong claim to the presidency: her party won more votes than any other in the parliamentary elections in 1999. She was then outmanoeuvred by Mr Wahid in the electoral college that chose the president. She still has, in theory, a better chance than Mr Wahid of leading a cohesive parliamentary coalition, and enjoys broad popular support. More worryingly, the army, too, would probably prefer her to Mr Wahid. Its backing might bring stronger government, but also increasingly restive regions. It would be a mistake to try to bind together the nation her father founded by military might alone.

In the event, a Megawati presidency might turn out all right. It is not a prospect, however, until the impeachment uncertainty is over—unless Mr Wahid should resign. He may in fact still be able to redeem himself, if he calls off the NU's street-fighting elements, admits that he himself is not above the law, and appeals to Miss Megawati for her support, as a nationalist icon. That remains the best hope. It is certainly far better than a long power-struggle, played out not just in parliament and the presidential palace, but on the streets.

suasive investigative reporter, sees all this as a damaging corruption of the free market. He is especially incensed by promotional techniques aimed at impressionable children. A 1997 giveaway of Teenie Beanie Babies increased the sale of McDonalds' Happy Meals from 10m a week to 10m a day. And a survey found that 96% of American schoolchildren could identify Ronald McDonald, the chain's mascot. Only Santa Claus scored higher.

India's choices

Agree to differ

NEW DELHI

INDIA UNBOUND. By Gurcharan Das. *Knopf; 384 pages; $27.50; 495 Indian rupees.*

MISTAKEN MODERNITY: INDIA BETWEEN WORLDS. By Dipankar Gupta. *Harper Collins; 225 pages; 195 Indian rupees*

A DECADE after discarding comforting but self-destructive ideals of self-sufficiency and economic planning, India is in the midst of a great debate about the consequences. The antis mourn two losses: dedication to equality and an approach to development that was distinctly Indian. They fear, in a word, that India is losing its soul. The pros revel in India's new information-technology prowess, the unshackling of business, faster growth and the hope that it will reduce the country's appalling poverty. They celebrate India's reconditioned body.

"India Unbound" is by an unabashed pro, an ex-boss of the Indian part of Procter & Gamble who has moved into business consultancy and writing (he has done a novel and three plays). Thanks to economic reforms, he writes, "we have glimpsed paradise again and are on our way to regaining it." The author of "Mistaken Modernity", a sociologist at Delhi's leftish Jawaharlal Nehru University, is an ambivalent anti. He does not condemn outright the reforms of 1991, which entailed deregulating business and opening India up (partially) to foreign trade and investment. Like many Indian sceptics, he is nostalgic for the days when production decisions "were tied umbilically to national development and sovereignty."

Gurcharan Das is correct that the umbilicus was strangling the baby. But there is less conflict here than it seems. Both sides in this debate are avowed enemies of what might be called old India, which remains in many respects the India of today. Its features include discrimination against women, caste barriers, Hindu chauvinism, official corruption, advancement based on patronage and, for business, profits without competition. Dipankar Gupta contends, justly, that India's fascination with western gadgetry and lifestyles has not brought modernity. You can subjugate women and make a weapon of religion just as well with a mobile phone as without one, probably better. True modernity, Mr Gupta writes, entails adhering to universal norms, upholding individual rights, making the state accountable. His book pleads with India to put modernisation in place of "westoxication".

There is nothing here that true globalisers would not support, with enthusiasm. Their argument with the antis is really about money. Mr Gupta and others who are suspicious of reform seem to share the high-minded attitudes of India's first prime minister, Jawaharlal Nehru, who once told J.R.D. Tata, head of the country's most respected business house, that profit is "a dirty word". To take a more recent example, Arundhati Roy, India's Booker-prize novelist, not long ago wrote a long and impassioned article in one of India's weekly magazines portraying capitalists, especially foreign ones, as plunderers.

Mr Das, on the other hand, thinks that capitalism will cure many of the ills that Nehru's socialism compounded. The cosy corruption of old Indian business habits cannot withstand competition, he suggests. Although the commercial *bania* caste was useful in kick-starting Indian capitalism, Mr Das points out that in a liberalised economy governed by rules rather than patronage, companies cannot afford to hire employees on the basis of caste. As for poverty, contemporary India's worst blight, education will spread the benefits of economic growth to the masses.

One problem supporters of reform face is that its effects do not look very egalitarian, especially in an Indian context. Indians disagree whether the past decade of halting reform has reduced poverty. No one disputes that it has thrown up a vulgar, sharp-elbowed new middle class. Mr Gupta, with a tweedy disdain, has made its members the villains of his book, not without reason: many dodge taxes and welcome the stark difference of income that ensures an endless supply of cheap servants. Mr Das nevertheless concludes that "whether India can deliver the goods" will depend a great deal on this new middle class.

Despite its occasional repetitions, "India Unbound" is not only more persuasive but more enjoyable. Mr Das, whose career spanned the darkest and brightest eras in Indian economic policy, tells much of his story autobiographically. When he was manager of the Vicks VapoRub brand in India, flu epidemics posed absurd dilemmas: should he boost production beyond licensed limits (a punishable offence) or leave market demand unsatisfied?

Mr Das looks back to the rise of Indian business families, some of which often began with enterprising young men outwitting British monopolists, and offers management advice to their heirs, many of them now addled by decades of planning and protection. His real interest, though, is in the info-tech companies that sprang up in the 1990s. They are India's chance to achieve the rates of growth and poverty reduction that East Asia accomplished through manufacturing, or so Mr Das and many other IT-besotted Indians believe.

Though Mr Gupta prefers sovereignty to success, he makes good observations about the grip of tradition. India's tendency to throw up humanitarian heroes like Mahatma Gandhi and Mother Teresa is a sign of weak institutions, he believes: where these are stronger, saints are less needed to protect the weak. Women stand out in South Asian politics, he explains, because they are assumed to lack characters of their own and can take on the charisma of their (often martyred) husbands or fathers. All in all, however, his book relies too much on the author's opinions and too little on his expertise.

Mr Das's faith that IT plus education will restore India to greatness and prosperity can sound over-hopeful. And he mentions only in passing the urgent needs of agriculture, which continues to occupy two-thirds of India's people. But his book is informative, entertaining, and basically correct about India's need to embrace capitalism more whole-heartedly, for all the costs and risks.

ternationalist" administrations, like the previous one, are too inclined to see the IMF and the World Bank as ends in themselves, as signs of enlightenment and virtue, however much a mess they may make of things. It is quite right to ask, as the new administration is more likely to, whether these bodies need to exist at all, exactly what purpose they are intended to serve, and just how well they are discharging their duties, whatever these may be.

It is also encouraging that a useful blueprint for reform—a starting-point, at any rate—is already to hand. Last year, making itself heard above the general racket, was a plan set out by the Meltzer Commission. This group, sponsored by Congress, was chaired by Allan Meltzer of Carnegie Mellon University, and drew on an impressive range of expertise, including that of Harvard's Jeffrey Sachs, who is a leading thinker on development, not noted as a Republican Party patsy, but nonetheless a trenchant critic of the Bank and, especially, the Fund. The group did not achieve unanimity, but it did produce a report that commanded support from across the ideological spectrum, laid down some radical yet sensible basic principles, and was warmly applauded by senior congressional Republicans. All this is quite promising.

The commission's main idea can be stated briefly. In different ways, both the Fund and the Bank have been trying to do far too much. The IMF, first conceived as a provider of liquidity in emergencies, has become a development institution, advising and requiring borrowers not merely to repay, but to reform the deep micro-structure of their economies. It has little expertise in this area; such policies, forced on governments in circumstances like these, tend not to stick; and so wide a development remit in any case overlaps with that of the Bank. The Bank, on the other hand, has not broadened its operations; rather, it has failed to narrow them as conditions—notably, the development of global financial markets—have changed. Most of its loans go to countries with access to private international capital. The countries which, according to the Bank's own analysis, could make best use of its resources receive a comparatively small share.

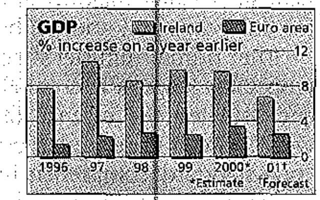
To be more effective, the Fund and the Bank both need to do less. The bosses of both institutions have duly declared themselves committed to sharpening the focus and so on (see page 73). They always say that. Almost certainly, if it means shedding lots of people and seeing their budgets shrink, they don't mean it. That is where the administration comes in. It will have to lean heavily if things are to move in the direction the Meltzer Commission proposed.

Covert operations

Will it? Maybe not. Especially in the case of the Fund, the problem of mission creep is at least as much the fault of successive American administrations as of the Fund's own managers. Often, notably in Russia, the Fund has stepped in to do America's foreign-policy bidding, even though by its own lights its actions were risky at best. The quid pro quo for a properly focused Fund and Bank is greater willingness on the part of Congress and the administration to give more aid of their own explicitly, either to serve national-security goals or to pursue development objectives which lie, for whatever reason, outside the scope of the institutions. Sadly, the administration may, like its predecessors, find it all too convenient to have a misdirected Fund and Bank do its bidding and then take the brickbats. ■

Ireland's euro–sins

The European Commission is wrong to reprimand the Irish for their loosening of fiscal policy



IT IS a pretty rum way to promote the merits of Europe's single currency. The European Commission has taken the euro-zone country whose economy has been growing the fastest, which has broken no rules either from the Maastricht treaty or from the subsequent "stability and growth pact", whose public debts are falling, which has the largest fiscal surplus (as a share of GDP) in Europe, and, frankly, whose success or failure makes just about the least difference to all the others. And, on February 13th, it publicly criticised that country—Ireland—for having recently loosened its fiscal policy, and thus flouted the euro-zone's "broad economic policy guidelines". This was the first time it had delivered such a formal reprimand to a euro-country. A better way to discredit the single currency in the eyes of potential members—such as, well, a certain large country between Ireland and the continent—could scarcely have been dreamt up.

To some degree, this judgment is unfair. After all, the commission merely wagged its finger at Ireland, something international institutions do all the time to one country or another, and Ireland is free to wag its finger, or rather two fingers, back. Even so, the question remains whether, at a time when the euro sorely needs to become more popular, this reprimand was wise. For, strictly, unless Ireland breaks the stability pact's rule against running a budget deficit of more than 3% of GDP, Irish fiscal policy is none of the commission's business.

Was the criticism even justified? Far from having a deficit, Ireland has a fiscal surplus of 4.6% of GDP. Last year, its economy grew by nearly 10%, and it has recorded an average annual growth rate almost as good over the past five years. This small, once-poor country has been catching up with its richer partners, which is meant to be one of the purposes of joining the European Union in the first place. Barely more than 4% of the working-age population is jobless, and inward immigration is expanding the labour force. Nor does this success arise from the EU handouts, amounting at times to 4-7% of GDP, which have helped it build so many roads and other public works during the past 30 years. This Irish success is of Irish making, as successive governments have opened the country's markets, lowered taxes, improved education and managed the public finances in a sensibly austere way.

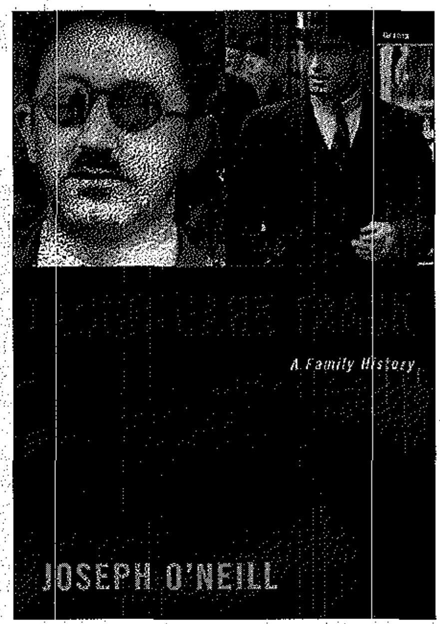
The blot on Ireland's record is its high inflation, which hit an annual rate of 7% last December. It is this figure, easily the highest in the EU, that has caught the eye of its European colleagues. In December, rather than raising taxes as some rectranslator. In nothing is Dante's feeling for order more apparent than in the poem's unique and beautiful form. The celebrated rhyme-scheme, called "terza rima", drives the story on in a way that suggests ascending steps. It also breaks that forward movement into stanzas, which gives the poem its feeling of lyrical reflectiveness within the epic scope of the narration. To abandon rhyme might seem equivalent to abandoning the poem.

But no translation can capture the whole of a poem, as Robert and Jean Hollander are aware. Their new version of "The Inferno" attempts a sort of compromise: a more or less literal version without rhyme or regular metre. Their rhythms hover uncertainly between the ordinary Shakespearean pentameter and a fairly prosy free verse. Although there have been more exciting versions that give us something of Dante's music and magic, there has rarely been such a useful one. The Hollanders—he is a Dante scholar, she a poet—act as latter-day Virgils, guiding us through the Italian text that is printed on the facing page. Their English is not remarkable as poetry, but it can be poetic, and it helps us to come to terms with a foreign poem that is perhaps the most magnificent ever written. ■

Family loyalties

On the edge

BLOOD-DARK TRACK. By Joseph O'Neill. *Granta; 333 pages; £16.99*



IF YOUR maternal grandfather was a Maronite Christian from Mersin in southern Turkey who was interned by the British near Jerusalem for more than three years during the second world war, a war in which his country was nominally neutral; and if your paternal grandfather was a member of the IRA who was interned in the notorious Curragh prison in the nominally neutral Irish republic for four-and-a-half years at more or less the same time, that coincidence alone would make a strong enough theme for a book. When the circumstances of the two men's detention are mysterious and their grandson is a writer of Joseph O'Neill's calibre, then that book becomes several things at once: a gripping detective story, a thoughtful enquiry into nationalism, and a moving evocation of world war at the edges of its European theatre.

Both grandfathers lived in a time when an ambiguous word could mean death, and not necessarily their own. Turkey was a ferment of intrigue. Mersin, an outpost of multicultural Levantines, hard by the disputed territory of Hatay and the British controlled protectorate of Palestine, had its full share of foreign visitors looking for more than the beach. And over County Cork, home to the O'Neills, hung the presence of the IRA and a frightening number of unsolved sectarian killings.

The experience of wartime made both men wary and unapproachable. The generation that they fathered in its shadow were not keen to question the past. But Mr O'Neill, born in 1964 and one generation removed from the trauma, has a far less inhibited curiosity which takes him from an ancient monastery near Jerusalem to the wild west of Cork turning over family stones with happy abandon. At one stage he wonders if he is not doing it "as a punishment for the hurt silence which, I rightly or wrongly sensed, they'd bequeathed to my parents."

To uncover his grandfathers' secrets he has to go still further back, to see what formed these complex men. His journey takes him to the Armenian massacres of 1909, the fringes of which his Mersin grandfather must have witnessed, and to an outburst of Protestant killing in west Cork in the 1920s, where the family connection was closer and more sinister. It is a journey that throws up hard-to-answer questions about the conflict between nationalism and the rights of minorities.

It is also a journey that throws up some extraordinary coincidences which, occasionally, the author allows to carry him too far. He tries, for example, to establish a parallel between his maternal grandfather, Joseph Dakak, and Franz von Papen, the German chancellor who ended up as his

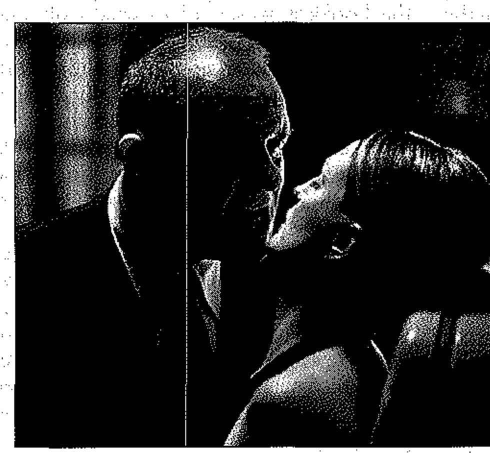
Not horrid enough

IN THE gorier bits of "Hannibal"—and there are plenty of them—squeamish viewers may well decide to shut their eyes and think instead of Dante, the cannibal's favourite poet: of Paolo and Francesca, or of the love that moves the stars. Oh yes, and of the treacherous Ugolino in the deepest circle of hell, eating away at an archbishop's brain.

Hannibal Lecter is both repellent and attractive, urbane and deranged. He can drop a tercet from the Florentine bard and he eats real fingers with his breakfast eggs. The tension in his character made Thomas Harris's "The Silence of the Lambs"—and the 1990 film with Anthony Hopkins and Jodie Foster—compelling.

Mr Hopkins is back again in "Hannibal", which is taken from another of Mr Harris's Lecter novels and directed by Ridley Scott. When the film opened in America on February 9th, it took a staggering $58m in its first three days. Alas, the tension is gone. Hannibal at large in Tuscany is just not as scary as when he was evilly manipulating events from a high-security cell. He has become a stock Hollywood fugitive, buffeted by events but always a step ahead of his pursuers. These include a revenge-bent millionaire, a corrupt policeman and an FBI agent, Clarice Starling, played by Julianne Moore, who took the part when Ms Foster wisely turned it down.

Starling and Lecter do not meet until the film is two-thirds done, and then the erotic charge of the earlier film is missing. Mr Scott has also changed the novel's horrid "happy" ending, playing his film's gruesome last scene for laughs instead—and leaving the story open for "Hannibal III". Viewers may prefer to curl up with Dante—and Count Ugolino.



Al Dante

ommended, Ireland's finance minister, Charlie McCreevy, lowered them and raised public spending in a mildly expansionary budget. Helped by cheaper oil, the inflation rate is now dipping. But there are fears that Mr McCreevy's budget will stoke the economy up again, and revive inflation.

And so it may. But it is a close call, on which reasonable people can disagree. Ireland's inflation may be too high, although given the Irish economy's current super-competitiveness it may well be that higher wages will prove an effective way to even things out again, in the absence of currency movements that could have done the same. But the most important point is that, whatever your view, Ireland's inflation harms nobody but the Irish. It will not affect the euro's credibility on world markets, nor have the slightest measurable effect on euro-zone inflation as a whole.

The Economist's view has long been that, with monetary policy now exclusively in the hands of the European Central Bank, and with the Maastricht treaty having explicitly banned the ECB from ever bailing out a defaulting member, countries should be allowed more freedom to set their own fiscal policies, not less. The European Commission disagrees, feeling that fiscal policies need "co-ordinating", and that limits must be set to deter "bad" behaviour. Even on its own terms, however, this policy does not justify the reprimand to Ireland.

Blarney from Brussels

If a big economy, such as France, Germany, Italy or Spain, were to pursue inflationary policies, then that could indeed affect inflation in the whole currency zone and, on the commission's argument, might merit a reprimand. But that is no reason to make a scapegoat of tiny Ireland. Some officials argue that if Ireland's sins are ignored, then it will not be possible to chase bigger countries' sins when they really matter. Yet this is surely nonsense. To launch a scarcely credible attack now on the euro's most successful member is no way to boost the credibility or authority of any future attacks.

Dressing for the downturn

As America's economy slows, business casual is proving rather too casual

ONLY a year ago, the suit and tie seemed headed for extinction—along with other old-economy anomalies like profits, proven products and payment in cash. In the new economy, workers would wear whatever clothing best got their creative juices flowing, without unduly restricting freedom of movement while playing table football and engaging in other activities *de rigueur* in the modern cutting-edge working environment. This sartorial revolution started, inevitably, in Silicon Valley, but by last spring it had stormed even the most sober and traditional banks, consultancies and law firms of Manhattan and the City of London. One by one, they all went "business casual". A charity was established to redistribute suits to the unemployed—not that a jacket and tie were any longer going to help anybody get a job.

Now, it turns out, the vision of an open-neck future was but a mirage. Suits are back. According to the Doneger Group, a "style consultancy", sales of suits and dress shirts bottomed in the third quarter of last year, and have since rebounded sharply. The evidence is clearest in New York, where many a suit has been rescued from the wardrobe, with chinos and polo-shirts relegated to the weekends. Only workers who never come face to face with customers or senior managers can still fearlessly wear jeans and T-shirts—with the notable exception of technical staff, of whom nothing smarter was ever expected in the first place.

Even America's congenitally casual west coast is going conservative. The new vogue is "dressy casual". At a minimum, *The Economist* has found, shirts are once more being tucked into trousers. New-economy trendsetters such as Bill Gates, Michael Dell and Larry Ellison have all been seen looking dapper. When Steve Case, boss of AOL, wore a tie at the announcement of his firm's purchase of Time Warner a year ago, it was interpreted as a gesture to reassure Time workers. With hindsight, it seems Mr Case simply had a feel for fashion. George Bush, sure-footed in his first weeks in the White House, has banned jeans from the Oval Office and wears a suit almost everywhere except on the ranch.

The time has surely come to replace the old "hemline theory" of economic cycles with a new theory of suits. Back in the 1920s, George Taylor, an economist at the University of Pennsylvania, argued that hemlines on women's skirts were a useful indicator of economic activity. They moved higher in good times, because women could afford to wear, and show off, expensive silk stockings. In hard times, they moved lower, as modesty required that less expensively clad legs be covered. Sure enough, skirts were short in the roaring twenties, and long in the Great Depression.

A turn-up from trousers

Now that women have more to think about than their stockings, the wearing of suits may be a more reliable guide to economic trends. In any case, many female executives have abandoned hemlines altogether in favour of trousers.

The suit is the perfect attire for hard economic times. It speaks of seriousness of purpose and self-discipline. It speaks of dullness, too, which is a welcome contrast with the anarchic creativity of the dotcoms. A suit saves time, because it requires no thought and still looks all right—a crucial competitive advantage in the labour market that men long enjoyed over women. How foolish it was to throw that away. If you want to show you are more than new-economy flotsam, get yourself a smart three-piece.

Above all, the backlash against suits revealed a labour market so tight that workers had all the cards. Bosses hated seeing their staff slouch contemptuously in torn jeans and jumpers, but had to put up with it. Now, jobs are harder to come by, and involve more work and less play. The suit is back. Everywhere except *The Economist*, of course. Here, freedom of movement is a religion.

paraphernalia needed to get the cell they inhabit to transcribe them.

The existence of pseudogenes is one reason why it is hard to put a precise figure on the actual number of genes in the human genome. Merely finding a gene-like sequence in the DNA is not enough. An independent line of evidence, such as a matching protein, is needed to be sure.

A good example is the sense of smell. This depends on a huge number of different receptor proteins, each tuned to a different sort of chemical stimulus. The production of these proteins requires, in turn, a large number of genes. In the human genome there are more than 900 stretches of DNA that look, at first sight, like genes for these smell-receptor proteins. But the sense of smell, though quite important to people, is by no means as important as it was to humanity's ancestors before they took to the trees and came to rely mainly on vision. The DNA reflects this. Close scrutiny of those 900-odd "genes" shows that 60% of them are broken in ways that mean no protein can be copied from them.

Even broken genes, however, can be useful to biologists. Together with the transposable elements and the fact that significant blocks of DNA will occasionally duplicate themselves and pass down the generations without apparent harm to the creatures containing them, they form a sort of fossil record of a species' past. It is early days yet—data from other species, needed to make useful comparisons, are sparse—but it is possible to start looking at the history of the genome itself.

One surprise is the sheer amount of duplication. More than 1,000 examples were identified. Usually, such duplications cause illness, if not death (Down's syndrome is the result of the partial or complete duplication of chromosome 21). Those that persist, however, have an important role in evolution. The additional copies of genes they create can be modified to do new jobs, while the originals carry on with the old ones. It is another way for creatures to become more complex.

Cui bono?

So much for the science. What use is it all? The main hoped-for uses, of course, are medical—particularly the development of new drugs. One obvious approach is to look for genes that produce proteins similar to existing drug targets. Such genes are called paralogues, and the public paper illustrates their potential with three examples already under investigation.

One is the gene for a receptor protein in the brain. This protein, known as 5-HT3B, interacts with a neurotransmitter called serotonin. This neurotransmitter affects mood (anti-depression drugs such as Prozac work by boosting the effect of serotonin) and the newly discovered receptor is explaining many aspects of serotonin's function that were previously mysterious. The gene for 5-HT3B is a classic example of the value of having the full human genome. It was identified by searching the genome for sequences of DNA that looked similar to a known serotonin receptor, 5-HT3A.

A second medically significant gene, responsible for producing a protein called CysLT2, is active in the muscles of the airways leading to the lungs, and is implicated in the development of asthma. This was found not by analogy with a known human gene, but rather by comparing the human genome with the partially sequenced genome of the rat, where a similar gene had already been discovered.

A third gene, which is responsible for a protein called BACE2, was found because of its similarity to one of the genes involved in

the deposition of the amyloid plaques that occur in the brains of people with Alzheimer's disease. It, however, is located in the chromosomal region that (when duplicated) is implicated in Down's syndrome. That is interesting because Down's is also characterised by the deposition of amyloid.

Each of these three genes is being studied by drug companies, and the chances are that many more potential targets will be turned up when each of the genes in the sequence has been well described. Indeed, the public paper lists 18 further paralogues of common drug targets that its authors have identified during the course of their researches. At the moment, fewer than 500 human genes (or, rather, their products) are known to be the targets of existing drugs. Even if only 10% of the human genome turns out to be responsible for proteins that would make good drug targets, that would multiply the inventory around sixfold.

Turning this potential into medicines will take a lot of time and money. Another aspect of the genome may yield more immediate benefits. This is the analysis of single nucleotide polymorphisms (SNPs).

SNPs, as their name suggests, are places where the genomes of individuals differ by a single genetic letter. They are likely to be important for two reasons. First, they can be used as signposts. Each SNP is assumed to have an independent evolutionary origin, so if two people share one, the chances are they will share the same versions of the genes that are near that SNP. The SNPs can thus act as markers for particular versions of genes, including those versions that predispose people to disease. The second reason that SNPs are medically important is that some of them (the ones that are actually found inside genes) are among the causes of those different versions of genes.

In this context, one of Celera's findings is particularly intriguing. The firm's researchers have discovered that less than 1% of SNPs seem to alter the composition of a protein. This suggests that human genetic variation is the result of only a few thousand minor differences between proteins.

Of course, as anyone who plays cards knows, even a few dozen different things, let alone a few thousand, can be shuffled into a vast array of combinations. But this result confirms the idea that *Homo sapiens* is a young species—too young to have accumulated significant genetic variation.

Crossing the line

So who won the race? It depends on whom you ask. The public project's researchers, stung by the suggestion made when Celera opened for business that they should fold their tents and let the money funding them be spent on something else, are clearly convinced that they did. Given that Celera eventually chose to incorporate data from the public databases into its own analysis, they have a point. In retrospect, the company's timetable was too ambitious if the real prize was intended to be a complete Celera-only sequence.

But this is to miss a bigger point. Though Celera's researchers are scientists of integrity, they are ultimately answerable to their shareholders. Their sequence does not have to be ideologically pure, it just has to be right—accurate enough and detailed enough to form the basis of the "value-added" genetic-information packages from which the company currently makes its money. That, it certainly is.

The real winner, therefore, is science. When Dr Venter and Celera made their audacious gamble in 1998, the public project responded by speeding up significantly. Without that stimulus, it is unlikely you would be reading this article today. ■

ponents—including Amien Rais, an Islamist self-promoter, leader of one of the main coalitions in parliament, and chairman of the MPR—warned him that he had no more than a year to shape up. Moreover, by that time it was already clear that a pair of multi-million-dollar financial scandals would provide the pretext for impeachment when the time came.

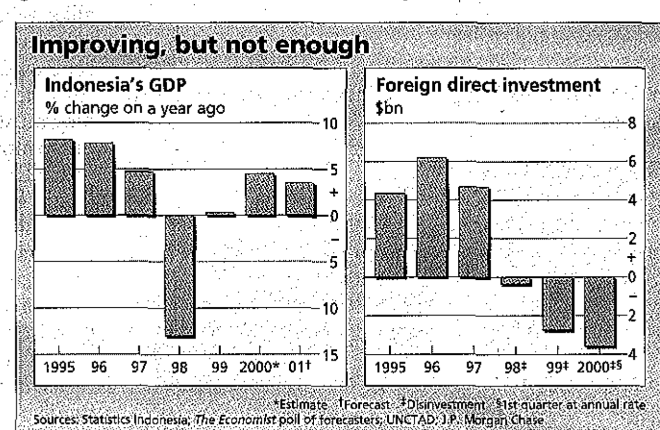
Mr Wahid also went on to construct his new cabinet without taking Miss Megawati's advice on appointments, much of which proved to be prescient. Despite his minority government, he has continued to treat parliament as an insignificant nuisance. Most baffling of all, he has prepared himself for this battle not by cementing ties with Miss Megawati, but by insulting her personally in settings where accounts of what he said were bound to get back to her.

Collateral damage

The great fear now is that, if Gus Dur's presidency collapses, he will not be the only victim. Things could still be much worse for Indonesia, the world's fourth-biggest country, and its 210m people. In 1965-66, the period that ushered in Mr Suharto's rule, 500,000 people were killed in Central and East Java in riots in which the NU played a central role. Now, even outside the hotspots of Aceh, Irian Jaya and the Moluccas, the country is racked by vigilante violence and frequent unexplained bombings—the latest being a string of church bombings on Christmas Eve. Since the Indonesian army is distrusted and demoralised, there is no telling how much trouble a political upheaval could cause.

Indonesia's neighbours are clearly worried. This week, Malaysia's deputy prime minister, Abdullah Ahmad Badawi, gave warning of "a new wave of boat people" if things go wrong. The governments of Australia and Singapore have similar fears. Given the difficulties of patrolling the area, Malaysia and the Philippines also worry that Islamic militants will find it easier to operate in their southern islands. Since much of the world's piracy occurs in Indonesia's shipping lanes, a breakdown of authority could give it free rein. It is easy to see why Colin Powell, America's new secretary of state, has singled out Indonesia as a country that bears close watching.

Even if these nightmares never come to pass, the present difficulties will probably cost Indonesia another year in its efforts to get back on its feet. More than two years after the country's banks collapsed, pledges to sell assets from the bank-restructuring agency, IBRA, continue to go unmet. Such sales would amount to the biggest step Indonesia could take to restore confidence. Yet they remain blocked by political stalemate. Nor is there any clear plan to manage the policy of radical decentralisation, which allows hundreds of corrupt local governments to exercise more control over their own development budgets and, in consequence, to do whatever they please. More political instability will also hamper other efforts to attract investment. And, yet again, fresh assistance from the IMF has been suspended because of stalled reform. This paralysis could easily stretch into the middle of the year. Unless Mr Wahid manages to avert the impeachment effort, that is when the procedure to unseat him will come to a head.



Improving, but not enough

*Estimate †Forecast ‡Disinvestment §1st quarter at annual rate
Sources: Statistics Indonesia; *The Economist* poll of forecasters; UNCTAD; J.P. Morgan Chase

That procedure began last month, when a decision was taken to censure Mr Wahid over the two financial scandals, one concerning the national food agency, Bulog, the other concerning a donation from the sultan of Brunei. The scandals occurred last year, after Mr Wahid tried to appropriate funds from Bulog, ostensibly for humanitarian aid in Aceh, at the north-western tip of Indonesia. The president has admitted that he looked into this, but says that he later got the money from the sultan of Brunei, who gave \$2m. Shortly after Mr Wahid had approached Bulog, his masseur, Suwondo, arranged an illegal disbursement of 35 billion rupiah (\$3.7m at current rates), claiming he was acting on the president's behalf. Mr Wahid says he knew nothing about this.

Although Mr Wahid's story is a little fuzzy, the evidence against him is circumstantial. Nevertheless, parliament voted decisively to accept the report, which accused him of being involved in the Suwondo affair and of misusing the sultan's money. Mr Wahid now has until early May to explain himself to parliament. If it is unimpressed, he gets a second warning, and one more month; then parliament is allowed to call a special MPR session to vote on removing him.

Already, more than 200 MPs seem convinced of Mr Wahid's guilt, or at least of his unsuitability as president. They wanted him impeached at once. Neither Miss Megawati nor Akbar Tandjung, who heads Golkar, the former ruling party, has sanctioned this, since it is in the interests of the two biggest parties to pay some attention to the rules.

Miss Megawati in particular is staying studiously silent. This is partly because she does not want to be compared to Gloria Macapagal Arroyo, the president of the Philippines, who led the opposition's efforts to unseat her predecessor, Joseph Estrada. For although Miss Megawati, like Mrs Arroyo, would probably enjoy the support of the army, that is not a blessing in Indonesia, where soldiers are so discredited.

Mr Wahid's opponents in the PDI-P are convinced that they have a green light to unseat him, but this week there was talk from other quarters of giving him one more chance. He might, perhaps, be asked to yield yet more authority to Miss Megawati in exchange for keeping the presidency.

They want Wahid to go

Mr Wahid's backers argue that there is no evidence that he has done anything wrong and that, at worst, he is guilty only of campaign-finance offences. Parliament is pushing him out, they say, only because MPs dislike his efforts at reform. Mr Wahid has shrewdly played to this sentiment in several ways. He has said that he will respond to parliament's treachery by renewing his drive against corruption, pledging this week to concentrate on ten particular offenders.

Moreover, although he denies orchestrating the NU's attacks on Golkar offices in East Java, Mr Wahid has sought to portray this movement as a battle between the old regime (confusingly named the New Order) and his new reformist one. Mr Wahid told *The Economist* this week that his empathy for the NU gangs—he said last week that he "understood" why they were violent—had been misinterpreted. He says that he will do whatever he can to prevent violence, and that he was trying to point out that he agreed complex of regulatory sequences of DNA that switch them on and off in response to chemical signals from the rest of the cell. Anything that interrupts this regulation will get short shrift from natural selection. So only 2% of the DNA in these parts of the genome consists of transposable elements.

It is difficult to avoid concluding that, where they do persist, transposable elements must be conferring some benefit. One possibility, suggested for a type of parasite called a SINE (short interspersed element), is that it helps promote the production of proteins when a cell is put under stress. SINES, and other transposable elements, are not normally transcribed by the cell's machinery to produce the molecular messengers by which genes act. But in the case of SINES there is an exception: they are transcribed in stressed cells. The molecular messenger that results serves to block a substance that would otherwise slow down protein production. Thanks to SINES, therefore, a stressed cell may be able to respond more rapidly to the threat in question.

Similar advantages to the continued existence of other sorts of transposable element will probably turn up when people start looking in detail. And in a few cases those elements have been co-opted by their hosts to even better effect: it looks as though at least 20 genes that play a useful role in the human body originally came from transposable elements. That is hardly surprising. Genomes are not picky about where they acquire useful material, and transposable elements are not the only things to have been plundered. More than 200 "human" genes have actually been pinched from bacteria.

These slaves, or immigrants—call them what you will—are part of the grand-total number of genes that each of the projects has come up with. But those totals are smaller than many people expected.

Out for the count

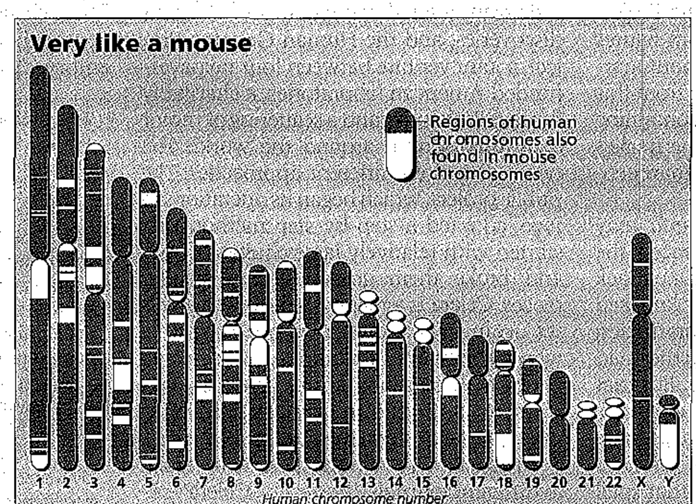
In the 1980s Walter Gilbert, one of the pioneers of genomics, estimated that the number of human genes was around 100,000. He based this on knowing the number of genetic letters in the DNA in the chromosomes of a human cell's nucleus (which can be worked out from their weight) and guessing how many genes might lurk in any given stretch.

More recent estimates have varied wildly. Based on his early results, Craig Venter, the boss of Celera, came up with a figure of between 50,000 and 80,000. Incyte Pharmaceuticals and Human Genome Sciences, two other American firms that have been busy creating private, though less comprehensive, versions of the human genome, have talked of numbers between 120,000 and 150,000. It shows how wrong you can be. (Though some cynics have suggested that higher numbers would make drug companies willing to pay more for access to the genomic databases maintained by these firms.)

Somewhat like a fly

Another surprise is that the genetic differences between people and other species seem smaller than had been supposed. Celera announced this week that it had finished sequencing the genome of that laboratory workhorse, the mouse. The last common ancestor of mice and men probably lived 100m years ago. Yet according to Dr Venter, the firm's scientists have found only 300 genes that people have and mice do not.

The public project, though it does not name such a precise figure, comes to a similar general conclusion based on publicly available mouse-genome data. To a reasonable approximation, a human genome is like a mouse genome that has been chopped into pieces and rearranged (see diagram). The exact genetic sequences of the shared genes are different in the two species, so the proteins that result from them are not perfect copies of each other. But they are close. It looks, therefore, as though the differences between mice and people have more to do with the way that their genes are regulated than with what they actually produce.



Human self-importance can, however, salvage something from the fact that mice and people are significantly more sophisticated than invertebrates. They have 1½ times as many genes as a nematode worm, and twice as many as a fruit fly (the two other animals that have had their genomes completely sequenced). A large core of shared genes deals with such shared processes as the release of energy from glucose. But in addition to this core, there has been a massive expansion in humans (and mice) of the groups of genes that control several other sorts of function.

Some of these are no surprise. Immune systems are a speciality of vertebrates in general and mammals in particular. One difference between the human genome and those of worms and flies is therefore the large number of genes dedicated to keeping this costly but effective system going.

Other areas of expansion include the genes that regulate the nervous system (particularly those that are responsible for the signalling molecules known as neurotransmitters) and the blood system. But perhaps the most interesting were in two groups of genes that help to create complexity. One of these was the group whose protein products bind to DNA and thus regulate the expression of genes such as those in the homeobox clusters. The other was for the group that controls the process by which a cell kills itself, which is known as apoptosis.

Apoptosis is an essential act, not a casual one. It first came to light in the study of cancer: one way the body deals with cancerous cells is to order them to self-destruct. But apoptosis is also crucial during embryonic development. Some developmental processes are like sculpting in clay. They involve adding bits of tissue where none previously existed. Others are like sculpting in stone. They involve carving away tissue that is already there. This is done by apoptosis. The cells that die help to make you what you are.

The lessons of history

Just as cells die out when they become redundant during development, so genes die out when they become redundant during evolution. The human genome bears witness to this process, too. It is littered with things called pseudogenes. These look at first sight like real genes, but lack the additional with his supporters' attitude towards Golkar only "because I feel the same way".

Mr Wahid's enemies, of course, have reformist arguments of their own. They point out that he has done nothing during the past 16 months to stem corruption or improve the justice system, and they accuse him of meddling unwisely in many government deals, especially those involving tycoons who owe IBRA money. Since Mr Wahid has done nothing to establish accountability, they say, they have their own ideas about which corruption cases to concentrate on: start with the president and go from there.

In the firing line

So is Gus Dur a corrupt president being impeached by a reformist parliament, or a reformist being impeached by a corrupt parliament? In truth, neither description is accurate. To see why, consider two of the decisions that have most haunted Mr Wahid: his sackings of a PDI-P cabinet minister and a well-known general.

Many of the president's problems with parliament can be traced back to a cabinet shuffle last April, in which he sacked two ministers from his economics team. One of those ministers, Laksamana Sukardi, was a trusted adviser of Miss Megawati, and had earned wide respect for taking on the state-owned enterprises ministry. Mr Wahid not only sacked him, replacing him with a loyalist, but botched the explanation horribly, telling parliament—with no proof—that he had removed Mr Sukardi for corruption. This infuriated many of his coalition partners, including Miss Megawati, who guards her clean reputation jealously and did not like the sideswipe at her party.

Mr Wahid's other big personnel fiasco involved his attempt, last year, to establish firmer control over the army by promoting an outspoken junior general, Agus Wirahadikusumah. Shortly after taking command of Kostrad, the army's elite strategic reserve, General Agus revealed an audit that had found widespread corruption in the unit. This did not endear him to fellow officers, who also resented the favour the president was showing him. When Mr Wahid tried to promote him again, the senior generals resisted by lobbying Miss Megawati—and won. In the end, General Agus ended up with nothing and Mr Wahid revealed his impotence. The message was driven home by a decision in the MPR shortly afterwards, allowing the armed forces to retain the guaranteed seats in parliament that they hold as token of their "dual function" in both defence and politics.

This episode was similar, in some ways, to the sacking of Mr Sukardi. The president's supposedly keen tactical skills failed him miserably on both occasions, helping to place him in his current predicament. In the first case, Mr Wahid's opponents were supporting the reformer; in the second, the reformer was supported by Mr Wahid. In both cases, as friends of Indonesia gloomily point out, the reformer lost.

As a result of all this, many advocates of reform are now fed up with all sides. "The elite machinations of Jakarta politics are so flagrant, it's disgusting," says one cabinet minister. Dennis Heffernan, a local consultant and long-time friend of Mr Wahid, is distressed to see the president play into parliament's hands. "Everybody knows they are a bunch of hastily cleaned up New Order creeps," he says, "but Gus Dur is just making it easy for them."

Although he is less of a Gus Dur fan, this sentiment is echoed by Erros Djarot, who was an adviser to Miss Megawati for most of the 1990s before he left in frustration early last year. Mr Djarot derides Mr Wahid as "the president of East Java". But he is just as quick to denounce Miss Megawati, complaining that "the two of them are always blocking us". As for the members of parliament,

Would Megawati unleash them?

"They are like hungry dogs hunting fresh meat." A piece of graffiti in central Jakarta captures the mood of the moment: it urges Mr Wahid, Miss Megawati, Mr Tandjung and Mr Rais all to resign.

At most, only one of this quartet will be gone in the next few months. With Mr Wahid out of the way, is there any chance that Miss Megawati would improve her performance? In many respects, reassuringly, she would represent similar values to those of Mr Wahid. Unlike the "central axis" of Islamist parties led by Mr Rais, both she and Gus Dur have stood up for a secular approach to life. Since Miss Megawati has never been a Muslim cleric, is a woman, and has been accused of consorting too closely with the ethnic-Chinese minority, she may find it slightly harder to carry this message with authority. And she might well inspire the fragmented Islamist opposition, though it remains weak, to unite against her.

When it comes to the army, Miss Megawati's course is harder to predict. She would probably be less likely to push for structural reforms, such as the repeal of the territorial system that gives the army its widespread political influence. And although some of her ministers might prod the army to clean up its off-budget businesses, that would be a painfully slow process in any case. Miss Megawati's reluctance to interfere in these areas would have little practical effect, since Mr Wahid has had no success there either.

One Indonesia

A Megawati presidency might make a bigger difference to the way the army treats troublemakers. Partly out of respect for her father's legacy, she wants Indonesia to hold on to all of its present territory, and appears to have been vexed by Mr Wahid's willingness to negotiate with separatists. Since her own supporters were among the victims of military heavy-handedness in Suharto's time, she would no doubt urge the generals to maintain some discipline. But if Miss Megawati were to become president, it would probably be the residents of Aceh and Irian Jaya whose lives would change most, and for the worse. She might also turn the army loose on Islamic extremists such as the Laskar Jihad, which has injected itself into sectarian violence in the Molucca islands.

As for economic policy, Miss Megawati has a few good people in her party, including Mr Sukardi. But she also has some bad ones. Like Mr Wahid, she has espoused few economic ideas of her own, and would have to do a lot of negotiating; her chances would hinge largely on whose advice she chose to take. And although she would be unlikely to make progress on corruption, even a start would be good in Indonesia, where the only thing people do openly is lie to journalists.

Will she be willing to topple Mr Wahid? Apart from her gung-ho advisers, many who know her still doubt that she will take the risk. Had she not been so cautious in 1999, she would already be president; she refused to negotiate and ended up as number two. Moreover, there is the small matter of her husband, Taufik Kiemas, who is one of the PDI-P's chief fundraisers. Few people doubt that, should she take over, the searchlights would swivel on to his business activities. Besides, says Mr Heffernan, "The presidency right now is a flaming bag of cow dung. I think she's too smart to touch it."

It is still conceivable that Mr Wahid could work out a deal. On February 14th, he said he needed a rest. He is about to embark on a long trip next week, which will include a pilgrimage to Mecca. Once again, there are rumours of a shuffle when he returns. This time, he could do it differently, listening to his vice-president and installing a cabinet she can live with. But such a deal is getting harder to imagine. Even Gus Dur's confidants admit that he would rather drive a train over a cliff than admit to his old friend that he had been wrong. ■

A matter of trust

Behaviour such as reciprocity and co-operation is not bred in the bone. Rather, it responds to incentives and experience

ECONOMICS FOCUS

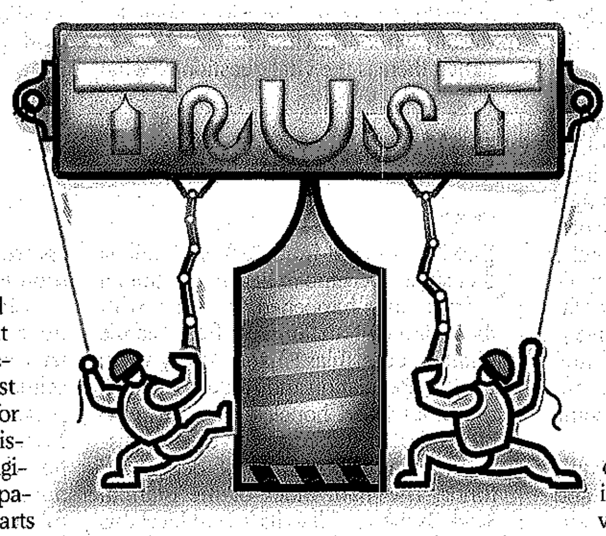
HOW MUCH do you trust your business partners, and how much do they trust you? Even in rules-based, litigious societies, some measure of trust is essential. Contracts cannot plan for every eventuality, and outcomes are often hard to verify anyway. The issue of trust is that much more pressing in emerging economies, whose threadbare legal systems and poor enforcement offer little assurance to investors. So how much trust can we expect from others? Researchers are beginning to find out.

Intuitively, at least two sets of factors might foster a degree of trust. For one, trust could serve as a signal of goodwill, either to secure co-operation in the short term or to ensure the success of a long-term relationship. On the other hand, the origins of trust might be simpler: some people might just feel good about trusting others.

Kenneth Clark of the University of Manchester and Martin Sefton of the University of Nottingham examine the first of these motivations in a recent paper. By having subjects play a series of simple games, the academics measured levels of trust and trustworthiness among strangers at their first encounter, and then recorded how the levels of trust changed over time. The format for each game was the "sequential prisoner's dilemma" (SPD), which imagines two prisoners being held separately for interrogation on their parts in an alleged crime. There are four possible outcomes, depending on the prisoners' actions. Should the first prisoner to be interrogated confess, whilst the second does not, then the first is released and the second gets 20 years (or vice versa). Should both confess, then both get ten years. Should neither confess, both get two years.

In this game the outcome that shows the greatest mutual trust between the two prisoners is where the first one refuses to confess, and the second does the same. True, the second player might well be inclined to confess and so get off scot-free. But if the game is played several times, maintaining trust gives the best overall outcome: players receive two-year sentences every round rather than each time risking ten or 20 years in the slammer.

Using money as a payoff rather than prison sentences as a threat, Messrs Clark and Sefton had student subjects play the SPD ten times. Players kept the same role (first or second mover) in each round, but were randomly paired with different, hidden partners. During initial rounds, the first mover began by trusting (not confessing) 57% of the time. In 35% of those cases the second mover followed suit, thus obtaining the trusting outcome. By the tenth round, however, only 32% of first movers were still trusting. And these co-operators were rewarded with trust in return only 38% of the time. The levels of mutual distrust had ratcheted up in the intervening rounds. This evidence belies the idea that any given person is, by nature, consistently trustful or mistrustful.



The authors refined their results in two ways. They doubled the payoffs across all outcomes, and they offered far greater rewards for a solitary confessor. Simply raising the stakes had no effect. But in the second case, where the cost of trust was increased, the frequency of the trusting outcome fell substantially. Again the idea that some people are inherently trusting, whilst others are not, appears ill-founded. Changes in incentives count for much.

Despite the evidence that trust responds to incentives, certain situations foster trust more than others. In another game of trust, Edward Glaeser of Harvard University and his collaborators paired off players, some of whom knew each other in real life. In this game, the first player received $15, of which he could give any part to the second player, hidden from view. The amount transmitted was doubled by the researchers, and the second player then sent any part he wished of the new amount back to the first player. Here the trusting outcome is for the first player to send all $15 to the second. Then, provided that the second player is worthy of the first's trust, both can walk away with $15. Nevertheless, the first player has an incentive to keep the entire $15. He can only do better if the second player returns more than he keeps.

Sadly for those with a high regard for human nature, the first players sent an average of $12.41 to their partners, who returned an average of 45% of the doubled sum. First movers who declared before the game that they trusted strangers sent $2.21 more across, other things equal, than counterparts who remembered their mothers' advice on this subject. The existence of a previous acquaintance also affected behaviour: both the amount initially sent, and the percentage returned by the second player, rose in proportion to the length of time the players had known each other. Perhaps unsurprisingly, when players were of different races or nationalities, the return ratio was much lower.

A vice to trust all?

The findings on group identity receive more support from a forthcoming paper by Alberto Alesina of Harvard and Eliana La Ferrara of Bocconi University. They merged two decades of responses to an American social survey with census data on racial mixes in different parts of the country. Their statistics show that blacks and members of racially mixed communities were far less likely to trust others than were whites or others living in racially homogeneous communities. Respondents who had recently suffered a personal setback—for instance, serious illness or financial problems—also reported lower levels of trust. This suggests that when people revise their expectations of fellow humans, it may sometimes be for apparently irrelevant reasons.

Together, the studies argue that trust is shaped by experience not native personal traits. It also seems that trust is a fragile thing, prone to break down altogether. The lesson? A handshake is no substitute for ready money, or a hard-earned reputation.

The papers referred to are: "The Sequential Prisoner's Dilemma: Evidence on Reciprocation", by Kenneth Clark and Martin Sefton, *Economic Journal* (January 2001); "Measuring Trust", by Edward L. Glaeser et al, *Quarterly Journal of Economics* (August 2000); and "Who Trusts Others?", by Alberto Alesina and Eliana La Ferrara, *Journal of Public Economics* (forthcoming).

mate would reduce the surplus by a third.

It seems unlikely that the Pentagon would get as much as it wants, considering that reform of Social Security and Medicare would make huge demands on the remaining pie. As the Brookings Institution's Michael O'Hanlon argues in his forthcoming book, "Defence Policy Choices for the Bush Administration", the armed forces cannot buy their way out of trouble. This is presumably why Mr Bush refused to authorise an immediate increase in the defence budget.

Nor can the forces easily do what the president occasionally suggested on the campaign trail: skip a whole generation of weapons (cancelling, say, the troubled V-22 Osprey tilt-wing helicopter, which keeps crashing) and proceed directly to a "third generation" of weapons. This change, sometimes called the Revolution in Military Affairs, envisions aircraft carriers being replaced by unmanned "arsenal ships" stuffed with missiles, large infantry divisions being replaced by individual soldiers with all manner of high-tech arms, and tanks retiring into history. All these things may one day come to pass. But it could be up to 20 years before that day has fully arrived, a worrying gap after the time when the current lot of weapons become obsolete.

What to do? This is where Mr Marshall and the strategic review come in. Unlike previous, largely ineffectual reviews, this one is in the hands of a genuinely radical thinker. Mr Marshall has called tanks and aircraft carriers "millstones". He thinks American defence focuses too much on Europe and not enough on the geostrategic challenge of China. In the past he has advocated a halfway house between the Joint Chiefs' demand for the whole array of vastly expensive new weapons and Mr Bush's notion of skipping a generation. America, he argues, could cut back on some of its new arms plans while bringing into active service soon a few experimental "third-generation" weapons.

Mr Marshall's willingness to rethink America's defence commitments when there is not enough money to buy everything everybody wants raises other questions. Does America need 40,000 troops in Japan or 70,000 in Germany, which is now surrounded by NATO allies? Does it need 7,000 nuclear weapons on full alert, and three weapons laboratories? Does it even need a "two-war strategy" (the ability to fight two regional conflicts simultaneously)? The promised review may well answer no to at least some of those questions.

If that happened, the result might not be a Great Leap Forward into high-tech warfare. But it could well be the start of a transition that moved America away from its old, cold-war military ideas. Financial, technological and bureaucratic obstacles would remain. But for even beginning to plan for such a transition, Mr Bush deserves credit.

Bill Clinton's reputation

Muddier yet

WASHINGTON, DC

HE HAS always loved the limelight. But perhaps even Bill Clinton is getting a bit tired of all the attention he has been receiving lately. Day after day the former president wins almost as much coverage as his successor—but Mr Clinton's comes with savage barbs and uncomfortable questions.

Mr Clinton's decision to pardon Marc Rich will probably do more lasting damage to his reputation than his tryst with Monica Lewinsky. The Lewinsky affair produced millions of Clinton supporters, who thought he was being persecuted over a private matter. But even his most sycophantic bag-handlers have failed to come forward to defend the pardon of the fugitive financier.

Roger Adams, the Justice Department official in charge of reviewing pardon applications, has told the Senate Judiciary Committee that "none of the regular procedures...were followed" in Mr Clinton's pardons of Mr Rich and his partner Pincus Green. The House Government Reform Committee has issued subpoenas intended to uncover any possible links between contributions to various Clinton causes (particularly by Mr Rich's former wife, Denise) and the pardon. Mr Clinton promises to cooperate with any "appropriate" inquiry.

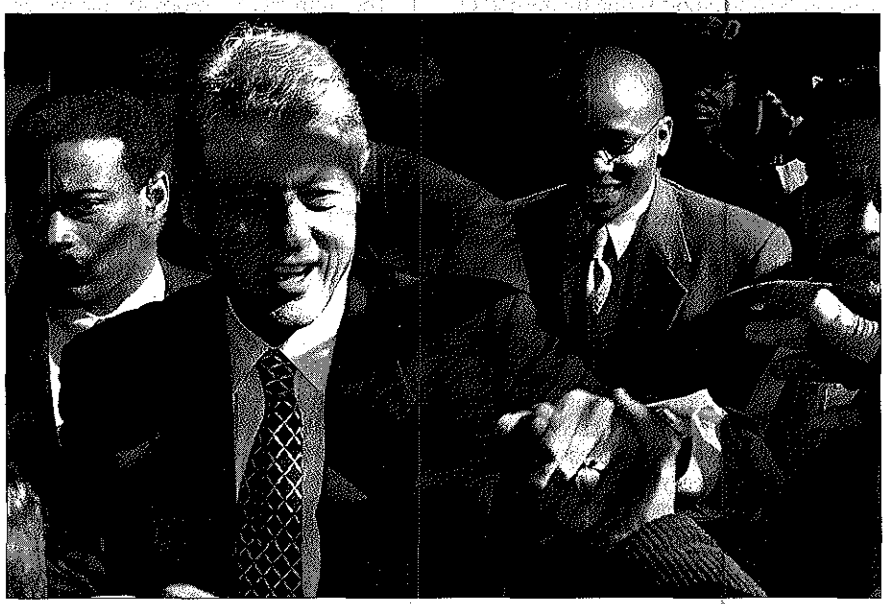
With the continuing scandals beginning to affect the ex-president's earning power (UBS Warburg has quietly scotched plans to hire him to speak at an investment conference in April), Mr Clinton is scrambling to repair his reputation. He has not only returned a small treasure chest of furniture and finery to the White House. He may also move his future presidential office from midtown Manhattan to the heart of Harlem.

This last move suggests that the former president has not entirely lost his touch. Mr Clinton was greeted by a huge crowd shouting "We love you" when he visited Harlem this week. Harlem is an advertisement for one of Mr Clinton's best policies: creating economic empowerment zones to revive decaying bits of America's inner cities. And blacks have always been Clinton loyalists, growing even more enthusiastic when the white establishment turns against him.

Mr Clinton still has to cut a deal with the city's Republican mayor, Rudy Giuliani (who once prosecuted Mr Rich), to persuade him to relinquish a lease on behalf of the city's child-welfare agency. But Harlem could be an ideal base for Mr Clinton's attempts to rehabilitate himself. It would be especially handy if he were to run for mayor of New York.

Some of his critics may be in danger of overplaying their hands. Talk of impeaching the ex-president could revive suspicions of a "vast right-wing conspiracy." (George Bush has been careful to insist that "it's time to move on.") And some of the cash-and-carry charges have been exaggerated. Borsheim's, the store at the heart of Giftgate, denies an allegation that Hillary Clinton set up a secret registry of goodies. All the other living ex-presidents helped themselves to some "personal" effects from the White House—and all live pretty comfortably. Ronald Reagan (who once made $2m for two 20-minute lectures in Japan) let some rich friends buy him a $2.5m house in Bel Air.

So far it still looks as if Mr Clinton can easily survive a few questions about his taste for White House loot. But the Marc Rich pardon looks dodgier by the day. That will test even Mr Clinton's powers of recuperation.



At least they love him in Harlem

FINANCE AND ECONOMICS

Pensions in Brazil

All shook up

SAO PAULO

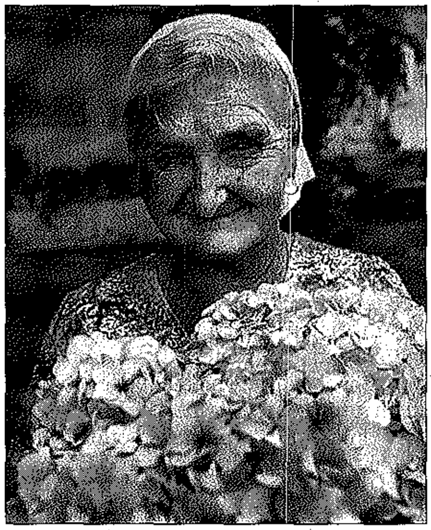
TWO of Brazil's chronic economic problems are that its people do not save enough for their old age, and that its companies struggle to raise long-term financing. One solution to both is to get more firms to set up pension schemes for their employees to which both firms and workers contribute: the employees would have an attractive means of saving for retirement, and the contributions would provide the Brazilian economy with a growing source of long-term funding.

Though Brazil's pension funds have grown steadily in recent years, they are still very small in relation to the economy, under 15% of GDP. The great bulk of firms still lack a pension scheme. The government wants to boost the growth of pension funds as part of its plans to develop the country's stunted capital markets. It is trying to update the pensions law in ways that would encourage more pension funds to be set up, improve transparency and toughen the penalties for mismanagement and fraud.

Yet rows within the governing coalition mean that the proposals are stalled in Congress, along with many other needed financial reforms. So in the meantime, the government is trying to sort out scandals and financial problems that have long festered at existing pension funds. Last November it appointed Solange Vieira, a young high-flyer in the civil service, as the chief pension-fund regulator. There has since been a flurry of rule changes as well as an unprecedented amount of intervention in the affairs of the pension funds.

Most recently, on February 7th, Ms Vieira fined eight funds for exceeding the limits for investing in the shares or bonds of any particular company. On the same day she asked public prosecutors to file criminal charges against TransBrasil, an airline, which has been collecting pension contributions from its staff but not paying them into its fund. The problems are worst at the pension funds of publicly owned companies, long prone to political meddling and corruption. These funds have a history of blowing huge sums on property speculation and failed business ventures.

Sharpening the funds' regulation seems reasonable. All the same, the funds' bosses are furious with Ms Vieira, whom they accuse of making hasty and ill-thought-out decisions. Instead of building public confidence in pension schemes, they say, she undermines trust by exaggerating the scale of the problems. Ms Vieira, in turn, complains of funds' reluctance to admit to the shortcomings: they should, for instance, be putting more realistic values on property



A pension that smells like these?

ventures that have bombed. By her reckoning, merely to value pension-fund investments at book value would mean an injection of 9 billion *reais* ($4.5 billion) to meet future obligations.

The biggest fuss has been over the regulator's announcement last month that the minimum retirement age will be raised in stages, from 55 to 65 (Brazilians are now living longer than they used to). The funds complained that the move would stop companies that needed to restructure from being able to offer early retirement to a greying workforce. The regulator responded by putting out a further instruction. The funds say it is an about-face. Ms Vieira says she was simply clarifying their misunderstanding of her first announcement, which says early retirement can be granted, provided the regulator deems that the fund can pay for it.

Shortly before this row there was yet another, over a ban on pension schemes putting money into investment funds that charged performance-based fees. Again, the pensions bosses protested, and a fresh regulation was issued that seemed to countermand the original. Ms Vieira says it was another financial regulator, the National Monetary Council, that put out the first regulation; she realised they had erred, and issued another to overrule it. Performance fees are now acceptable only so long as the investment fund outperforms the yield on government bonds, which are currently around 15%. Regulators suspect that some investment funds have bribed pension-fund bosses in return for over-generous performance fees.

The pension-fund bosses complain that Ms Vieira's edicts, heavy-handed and incoherent, actually discourage companies from setting up schemes. In principle, they are perhaps entitled to be sensitive to this problem: Brazilian governments have traditionally suffered from legislative incontinence, issuing a constant stream of ill-considered and badly drafted laws and rules. In practice, years of slack supervision, in which pensions problems have mounted, give Ms Vieira every reason to act. A pity that communication between her and the funds has broken down. ■

Islamic banking

Forced devotion

Pakistan's banks have four months to turn Islamic

WHEN Pakistan's Supreme Court ruled at the end of 1999 that Islamic banking methods had to be used from July 1st this year, most bankers assumed that nothing much would change. This is not the first time, after all, that Pakistan has tried to introduce an Islamic banking system.

Now, however, it appears that the highest figures in the land, including Pervez Musharraf, the country's military ruler, as well as Shaukat Aziz, the finance minister, are committed to the idea. Pakistani bankers face the awesome task of completely transforming the way in which they do business—all in little more than four months.

The Koran clearly condemns interest, which is called *riba* in Arabic, as exploitative and unjust. But of the world's Islamic countries, only Iran and Sudan have imposed interest-free banking on their populations. In most of the places where Islamic banking flourishes, such as Malaysia and Kuwait, borrowers and depositors may choose between conventional and Islamic banks. Although the first Islamic banks opened only 25 years ago, they have multiplied. There are now about 170 Islamic financial institutions worldwide, managing over $150 billion of funds. In recent years, conventional banks such as HSBC and Citibank have started offering Islamic financial services.

Instead of paying interest on deposits and charging it on loans, Islamic banks aim to enter into profit- and loss-sharing agreements with depositors and borrowers. Under *mudarabah*, for instance, a bank will give money to a borrower on the understanding that it will later share the resulting gains according to a ratio agreed upon beforehand. The bank's depositors will then take a share of the bank's profits on its *mudarabah* and other contracts, instead of receiving fixed interest.

Some Islamic bankers claim that this sys-

First of her kind, plus twins

Chuck Hunt—as well as using a state helicopter for her personal use and accepting a large salary for a teaching job that took little effort. Some of these things, done by a man, might have been more easily forgiven. But Ms Swift would not apologise, and "Queen Jane" was born.

She is, to be sure, only 35 years old. She comes from western Massachusetts, where people are pretty blunt. She has admitted to feeling out of place in the male, Irish-Catholic, Boston-centred State House. Mr Cellucci chose her as his running-mate two years ago, partly in order to attract young female voters. She also happened to be pregnant during the campaign, which won lots of publicity and helped to keep the campaign civilised.

Ms Swift's new pregnancy could buy her a little time. The state's legislators will not want to look as if they are bullying her, argues Geri Denterlein, a Democratic sympathiser. A lot of female voters may like a governor who works but also has a family life. Ms Denterlein has helped to organise breakfasts for women from both the big parties who, she says, found the Republican Ms Swift more impressive than they had expected. But few ordinary voters will get the chance to breakfast with Queen Jane. And there will be limits to the chivalry extended by the male-dominated State House.

In short, Ms Swift has a chance, but not a particularly big one. Much will depend on whether she has learned from her mistakes. And there is always a chance that the Democrats who will want to challenge her in next year's election will get so involved in fights with each other that they will not have much time to attack the lady governor.

Still, Ms Swift takes office under critical eyes. "I don't know that there will be a huge margin of error," Ms Denterlein says. History is also not auspicious. The best-known Queen Jane—the wretched Lady Jane Grey—lasted a mere nine days on the throne before the nobles sent her packing, and eventually to her execution.

The mid-west's economy

Down, not out

CHICAGO

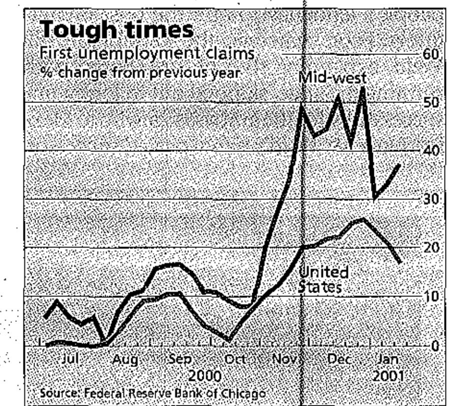
How does America's economy look from the country's heartland?

USUALLY, Chicago loves to proclaim the architectural glory of its soaring skyscrapers. Now, it looks glumly at the rather banal office block which serves as the headquarters of Montgomery Ward. In December, after 128 years, the retailer announced that it was filing for bankruptcy. Some 450 members of its head-office staff lost their jobs immediately. The 28,000 people it employed in its shops and distribution system await their fate.

In retrospect, Montgomery Ward's mistake may have been to assume that retailing was an art that only people who lived near Lake Michigan could understand. It spent so much time competing with its fellow Chicagoan, Sears Roebuck, that both failed to notice the growth of Wal-Mart. But the coup de grace was delivered by the American economy: sluggish Christmas sales get the blame for Montgomery Ward's demise.

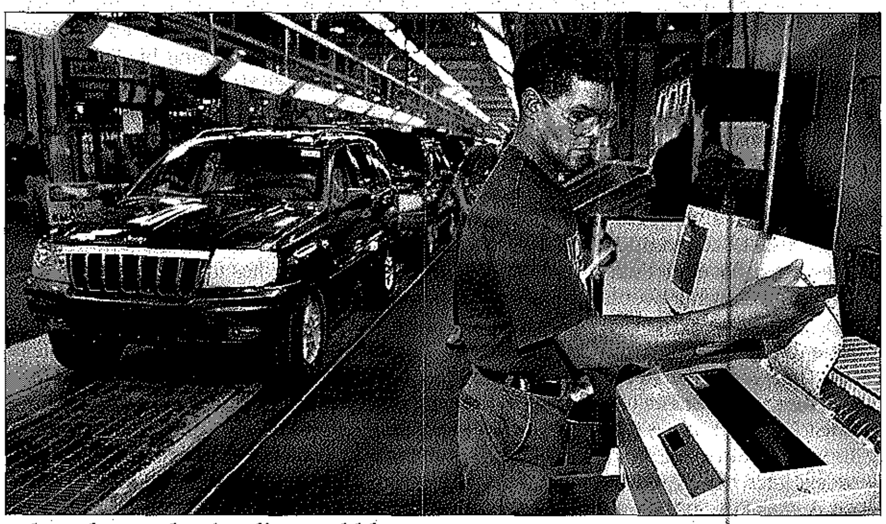
The end of Montgomery Ward is a harsh reminder to the mid-west that America's current economic problems are not just a matter of plunging technology shares out in California. The Chicago Fed's figures show a sharp rise in unemployment insurance claims in December (see chart). Energy costs have also hit hard: some mid-westerners' heating bills have nearly doubled in a year.

For all this, the region seems pretty confident that the economy can still bring off a soft landing. Once dismissed as the "rust-belt", the mid-west has reinvented itself over the past decade. That includes bringing in new high-tech businesses (some of which are now in trouble; two other big recent job-cutters are Lucent and Motorola). But the mid-west's real achievement has been to



make its old businesses, particularly manufacturing, much more productive. Chicago's Mayor Richard Daley revels in the fact that one in every six jobs in the city is in manufacturing. Manufacturing is nearly twice as important to the mid-west economy as it is to the national one.

The driving force has been the car business. But last year sales figures dived for Detroit and inventories started to climb. Local suppliers to Ford, General Motors and DaimlerChrysler have all felt the consequences: Tenneco Automotive, with its headquarters in affluent Lake Forest, just north of Chicago, recently announced that its North American revenues were 11% down in the fourth quarter of last year compared with a year earlier. The company's chief financial officer, Mark McCollum, expects this to be another difficult year, even though the company began to reduce costs early, cutting jobs in sales, marketing and administration as early as last September. Several



When the production line wobbles

the markets from time to time as the "moral-hazard play".) Yet concerns about moral hazard can be taken too far. Few of those involved when a country finds itself in financial crisis escape without penalty: ask ex-President Suharto of Indonesia. Second, once a crisis strikes, moral hazard seems rather theoretical. Suddenly, what matters are the international economic or political consequences of failing to respond.

The chances are that the Bush team will be very interested in the report of the Meltzer Commission, published last March, which recommended a dramatic scaling back of the activities of both the IMF and the Bank. The commission, sponsored by Congress but headed by Allan Meltzer, an economist at Carnegie Mellon University, wants to see the IMF concentrate mainly on short-term crises in emerging-market economies, providing funds only to solvent governments that meet pre-set conditions. The World Bank would change its name to the World Development Agency, underlining a more tightly focused role in helping the very poorest countries. Overall, the commission's aim is to render the institutions more effective, to reduce overlap and to ensure that policy recommendations do not conflict.

There is much to commend in the report. Sharper focus is an aim that both institutions share—though to judge from recent, well-publicised navel-gazing at the World Bank, there is a long way to go. One authoritative watcher of the institutions, Morris Goldstein, of the Institute for International Economics, thinks that the Meltzer report goes too far, though he agrees in a recent paper on the IMF's structural policies that "The Fund has bitten off more—in both scope and detail—than its members can chew." He endorses Mr Köhler's aim of ending mission creep, with the Fund constantly extending the scope of its activities.

In the end, the new American team may be more pragmatic than some fear, or others hope. Mr Dam, apparently the deputy-secretary-in-waiting, is a scholarly fellow, no wild-eyed zealot, the author of well-regarded volumes on international economic policy. He is experienced in the ways of Washington and no stranger to the realities of power. Nor has Mr Taylor's name set alarms ringing at the IMF. He too is highly respected among the economists there.

Pragmatism goes with the territory. It is politically impossible to stand aloof and insist that national governments sort out their own troubles when the stability of the whole international financial system is at stake, or when America's vital interests are threatened. And by that stage it is no use saying—however true it may be—that the crisis should not have happened in the first place. Mr O'Neill, the treasury secretary, struck a chord even with some inside the IMF when he questioned the West's bailout of Russia in 1998. But would the administration let distaste for corrupt Russian financiers dictate a policy where profound geopolitical consequences are at issue?

The main threat to the institutions probably comes not from the White House or the Treasury but from Capitol Hill. Congress has little regard for the Fund and the Bank. Getting congressional approval for fresh capital injections for the IMF is always a painfully long process; the Meltzer Commission was part of the price that Congress exacted for authorising an additional $18 billion for the Fund in 1998. Closing the Bank and the IMF is seen as a serious option by some of the angrier critics on the Hill.

They overlook something. Often, those beleaguered institutions have enabled America to protect its interests while sharing the burden of cost with others. Adam Posen, at the Institute for International Economics, argues that the real moral-hazard problem lies not with the Bank and the Fund but with American foreign policy itself. ■

Madison Avenue Bear

NEW YORK

As millions of CNBC junkies will agree, nothing is quite so thrilling as watching a manic bull-run broadcast live from the floor of the New York Stock Exchange. As for the stock-tippers and day-traders that inhabited the dozens of financial websites, they were geniuses all. And who could resist leaving the browser window open all day to watch his portfolio climb?

Seeing it go the other way is just too depressing. Traffic at Bloomberg.com is down almost 45% from a year ago, according to Media Metrix. Traffic at Silicon Investor has also fallen off a cliff, while MarketWatch and CNNfn.com all of a sudden see no growth. Last week Motley Fool, another leading financial website, laid off 115 people, a third of its staff. It joins TheStreet.com, BulldogResearch, Red Herring and Inc.com in cutting jobs recently. Even at CNBC, viewership has peaked. The number of viewers last month was almost exactly what it had been last March, according to Nielsen, a ratings firm.

No one following the number of brokerage trades conducted online would be surprised. Behavioural economics predicts that people trade less in bear markets—and indeed Ameritrade, one online firm, has seen the average number of trades per account fall from more than four a month last March, near the peak of the Nasdaq market, to below two today. The less people trade, the less financial information they seek, and the less interested they are in watching how their bets have fared.

The financial media get hit especially hard by these trends. Not only does a bear market hurt viewership, it also wallops their main advertisers: brokerage houses, investment banks and financial-information providers. TheStreet.com, for instance, saw year-on-year revenue growth fall from nearly 250% to 23% in its most recent quarter, which was still one of the best performances in its sector. For the dotcoms, which are facing their own capital-raising problems, the experience is particularly painful. Now all are looking for a firmer footing. Last month Terra Lycos, a portal, bought RagingBull, and CNNfn.com is being restructured as part of a total revamp of its parent company. Meanwhile, Motley Fool is pushing its personal-finance side, which has kept its traffic growing while rivals' traffic shrinks. Bull markets may come and go. Mortgages and taxes are forever.

You're shorting us?


• Consulting • Technology • Outsourcing
Accenture was formerly known as Andersen Consulting

REGISTER NOW

CAPITAL MARKETS

E-COMMERCE

ASIA

TECHNOLOGY

NEW MEDIA

EUROPE

TELECOMM

VENTURE CAPITAL

LATIN AMERICA

EMERGING MARKETS

NEW ECONOMY

UNITED STATES

BIOTECHNOLOGY

GLOBALIZATION

REGISTER NOW

MILKEN INSTITUTE

2001 GLOBAL CONFERENCE

WHERE THE WORLD'S BUSINESS AND FINANCIAL LEADERS MEET

MARCH 20-21, 2001

BEVERLY HILTON HOTEL
LOS ANGELES, CA

REGISTER AT:
www.milkeninstitute.org

Conference Sponsor The Economist

factories have been "flexing down", sending workers home without pay or making them take holidays.

Yet Mr McCollum is not despondent. He argues that a downturn was inevitable after the boom of the late 1990s: indeed, he says, there was almost a sense of relief when it finally came. Jim Gidwitz, the boss of Continental Materials Corporation, a family-run firm in downtown Chicago, takes broadly the same line. As yet, there has been only a modest softening in the sectors in which Continental Materials operates (principally construction, and the manufacture of heaters). But he regarded the Fed's cut in interest rates on January 3rd as ominous.

Over at Sears, the chief financial officer, Jeff Boyer, blames energy prices and interest-rate rises during the first half of 2000 for the slowdown in his company's clothing sales towards the end of the year. Sears reckons that it takes six months for interest-rate changes to feed through into its customers' spending patterns, so Mr Boyer is hoping for a corresponding pick-up in the second half of this year in the wake of the Fed's recent monetary easing.

Why is this downturn so difficult to read? Globalisation provides one answer. The downturn in Tenneco Automotive's American business (more than half of the total) has been partly offset by better sales in Latin America and Europe. Even among American customers, the downturn seems to be patchy. Giddings & Lewis, a machine toolmaker based in Fond du Lac, Wisconsin, says that many big manufacturers are holding back on capital-equipment purchases. But the firm's chief executive, Stephen Peterson, points to cheering signs of a growth in orders from the energy industry and in orders for portable generating equipment from dotcom companies.

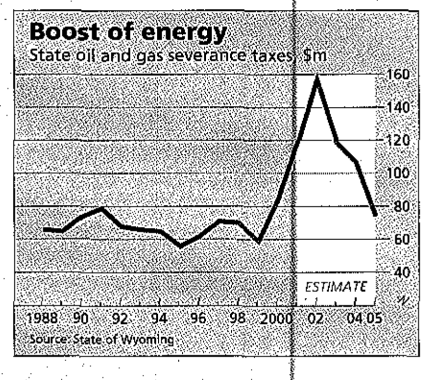
Flexibility is another confusing factor. As companies get leaner and better informed, they are much quicker to take action. When DaimlerChrysler decided on production cuts for some models in January, it took Tenneco Automotive just one day to work out what the implications would be for its business. Mr Gidwitz predicts that the downturn will be much more v-shaped than before, with companies responding more rapidly both to the slowdown and to any recovery.

The most confusing signal of all, though, seems to be the labour market. Unlike previous downturns, this one has seen unemployment remain, so far, relatively low: the national rate rose only slightly in January to 4.2% (though it is higher in some parts of the mid-west, and currently stands at 4.8% in Illinois). Brachs, a confectionery company, recently took Chicago by surprise when it announced the closure of its local factory. But Bill Strauss of the Chicago Fed points out that job losses in manufacturing are not a new phenomenon. Many layoffs, such as Tenneco Automotive's cutbacks in marketing, would have happened anyway as corporate restructuring ploughs on.

In short, the mid-west's industrialists are no surer than the nation's economists or the politicians in Washington whether America is heading for a recession. The real test, suspects Mr Gidwitz, will be when "the sleepless nights come, the red ink starts to flow, and the banks come knocking on the door." ■

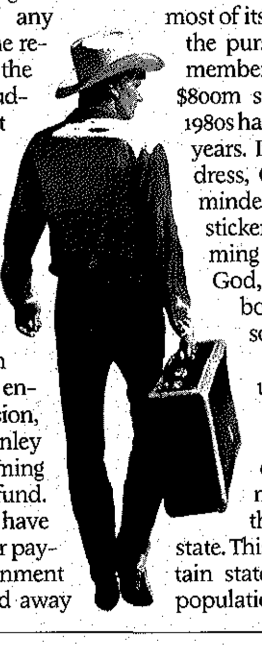
Wyoming's foot on the gas

SHERIDAN



AS POLITICIANS in the industrial mid-west ponder a bout of economic sobriety, their counterparts in a Rocky Mountain state are at last pouring out the champagne. With its native son Dick Cheney in the vice-president's house, and natural-gas prices shattering records, the state of Wyoming is flying high.

The economic boom of the 1990s stopped cold at the Wyoming border. While its neighbours, especially Colorado and Utah, were thriving, Wyoming saw the slowest economic growth of any Rocky Mountain state. Before the recent upswing in energy prices, the state government expected a budget shortfall of $183m. But now it has a glowing $700m surplus, thanks mostly to a quintupling of natural-gas prices in the past two years.



The Cowboy State is used to being out of step. For Wyoming, the Great Depression started in 1920, and left its general fund overdrawn by $1m. In 1968, after the United States had enjoyed a long economic expansion, the state's then governor, Stanley Hathaway, discovered that Wyoming had only $80 in the general fund. More recently, Wyoming would have found itself broke by 1990, but for payments from the federal government and prodigious sums squirrelled away in trust funds during a decade of high energy prices from 1973 to 1983.

The current flush of cash comes mostly from soaring "severance tax" collections on oil and gas production, which jumped from $69m in 1998 to an expected $157m in 2002. Roughly 1.5% of all severance taxes goes into a permanent trust fund. Last year this put $117m-worth of interest into the state's general fund.

What to do with the unexpected income has divided the politicians. Poor for most of its 111 years, Wyoming loosens the purse-strings reluctantly. It remembers with dismay that the $800m surplus it had in the early 1980s had all been spent within three years. In his state-of-the-state address, Governor Jim Geringer reminded his audience of a bumper-sticker commonly seen on Wyoming vehicles in the 1980s: "Dear God, please give us one more boom. This time we won't screw it up."

Yet the pressure to make up for 15 thin years is strong. For all its wonderful countryside, Wyoming is poor at creating the sort of jobs that might persuade younger, thrusting types to move to the state. This was the only Rocky Mountain state to have less than a 10% population expansion from 1990 to 2000. The largest private employer in Wyoming is Wal-Mart. Many of the state's oil and gas jobs tend to be temporary ones, and its workers are ageing fast. A recent state report gloomily predicted that the main labour force (aged 25-44), which has already declined from 148,446 in 1990 to 134,480 in 1998, will level off in 2008 at a mere 126,560 persons.

A particular worry is the brain drain. Albany County, home of the University of Wyoming, lost 5.6% of its population during the 1990s, a reduction shared by other university towns in the Plains states, such as Grand Forks in North Dakota, Vermillion in South Dakota and Manhattan in Kansas. Wyoming's teachers rank 42nd in the country in the pay they earn, and the state's only four-year college, the University of Wyoming, has a total endowment of $141m. The University of Texas at Austin, also with its roots in gas and oil money but more recently enriched by software and computer money, has an endowment of $2 billion from private donations alone.

been a commercial failure. "People are unwilling to subscribe online for the latest information from anywhere in the world," mourns Mr Hume. "Instead, they will go to a lecture and pay much, much more. We have an enormous revenue stream from our faculty giving lectures."

The one area where the Internet is about to save the university money is in purchasing. James Davis, who came to UCLA a few months ago to reorganise the way that it uses information technology, has been making it possible to combine online the institution's purchases of everything from computers to pencils, giving it more buying muscle.

Many of the other uses of information technology on the UCLA campus neither save money nor visibly enhance productivity. They simply raise the quality of the experience. One example is the web-sites that now exist for almost all 3,000 or so undergraduate courses. About 55-60% of them not only supply lecture notes; they also allow students to take tests online and to see their results. Another example is My.UCLA, an in-house "portal". Students can use it to search for advice, such as the entry requirements for graduate school.

Given the University of California's sprawling size, it is surprising that its nine campuses have not combined forces more, using the Internet as a bond. The main area where they have acted jointly is in setting up the California Digital Library, which drives hard bargains with the publishers of periodicals to license the use of their electronic versions. But even here, no money is saved: the university still buys paper copies. "Paper is so much more permanent than bits and bytes," explains Gloria Werner, the university's librarian.

The Internet has undoubtedly encouraged universities to reach out beyond their own campuses in order to offer more "distance learning", and at greater distances. The University of Phoenix, set up in 1989 to teach adults through a combination of old-fashioned distance learning and evening classes, is incorporating more and more e-learning into its courses, which are mostly taken by people with full-time jobs. But the extension of an institution's brand is not without risk. Increasing the number of students who claim to have studied there can damage a university's reputation if those students do not receive the level of teaching that the university's name was built on.

Prominent universities have therefore tended to band together for support in the early stages of exploring e-learning, and they have often launched their efforts under names other than their own, even though they have some of the strongest brands in education. The business schools of Columbia, in New York, the University of Chicago, the London School of Economics, Stanford in California and Carnegie Mellon in Pittsburgh, for example, have teamed up behind Cardean University, an early effort at an online institution for tertiary education. Cardean offers complete courses, mostly in business subjects, aimed at people working full-time who want to learn in the evenings, at weekends or whenever. It plans to offer full degrees eventually.

There are more than 250 firms eager to help established universities to go online. These firms build the Internet infrastructure and manage the electronic delivery of classes. Cardean, for example, is the work of UNext, an Illinois company that grew out of Knowledge Universe, an education business started by Larry Ellison, the CEO of Oracle, and Michael Milken, the developer of the junk bond market who spent 24 months in jail for fraud. Several prominent business schools—including Wharton at the University of Pennsylvania, Fuqua at Duke University, and INSEAD, near Paris—have worked with Pensare, a company based in Sunnyvale, California, to put their material online. A host of other firms, including Blackboard, Campus Pipeline, eCollege and WebCT, offer different platforms for putting course material on the Internet and for building a student community around the material.

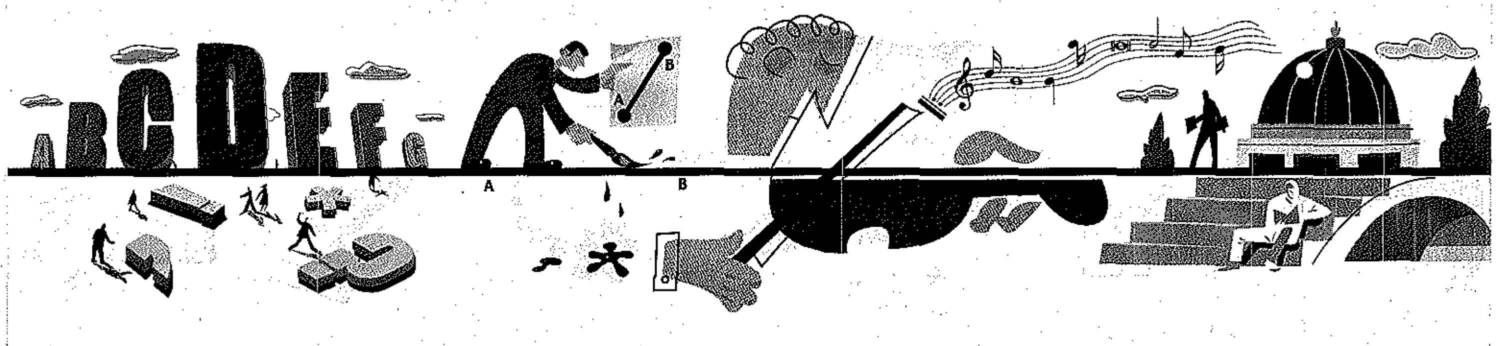
Some firms have decided not to be the invisible force behind the e-learning efforts of established universities, but rather to become brands known in their own right as a place for students to find courses. Sometimes these are simply portals that consolidate course information from other institutions, such as Hungry Minds. Others offer courses of their own.

Business and other vocational subjects predominate. But some hope to find an audience for less utilitarian subjects among adults who feel that they missed some education when young. Mark Taylor, a sociologist at Williams College in Massachusetts, is leading an effort to offer courses in the liberal arts. Taught by professors from top universities—most of them so far in the eastern United States, such as Wellesley, Brown and Amherst—they are marketed under the name Global Education Network (GEN). The GEN project is funded by Herbert Allen, a rich alumnus of Williams, and it does not yet offer any complete courses, merely free snippets of lectures. But it was founded on the belief that there is a potential market for vigorous online intellectual stimulation.

Boxmind, with a number of Oxford University academics on its board, is another such ambitious project. By putting "star" academics at the centre of a stage away from their home institutions, websites such as GEN and Boxmind threaten (if they take off) to raise the tension between universities and their faculty over the ownership of intellectual property. With e-learning sites offering students access to the best teachers without having to call in at their institutional home, there is a danger that the universities' academic superstars may choose to go solo.

The mouse ate my homework

There is nothing new about the use of technology as a teaching tool in schools. Machines (from record-players and overhead projectors to televisions) have long been used to make lessons more vivid and engaging. The first computers in class were treated as novelties on which children could look things up in encyclopedias and play arithmetical games on multi-media CD-ROMS.



The CD-ROM has now been largely replaced by networked databases as the repository of learning material, but research continues into how to impart lessons that take advantage of a computer's capacity to present moving images and sounds as well as text, and their capacity to respond to a user's input. Pearson's Mrs Scardino thinks that the big advantage of online education is that it personalises the learning experience, allowing each student to move at his or her own pace and in his or her own way.

A hug in the Colombian jungle

BOGOTA

President Andres Pastrana and the left-wing FARC rebels have been talking. There's a long way to go yet

"SLEEPING with the enemy", the press called it. Looking slightly lost in a sea of rebels toting guns, there was Andres Pastrana last week, photographed during two days of intensive talks in the sweltering village of Los Pozos. He had dared to visit the piece of southern jungle, the size of Switzerland, that is controlled by Colombia's largest guerrilla group, the Revolutionary Armed Forces of Colombia (FARC). After a period in which Colombia's efforts to achieve peace had swayed on the brink of collapse, President Pastrana and the rebel leader, Manuel Marulanda, were talking again.

Mr Pastrana's audacity was roundly applauded, but there was less enthusiasm for what he managed to achieve. The upshot of the talks, on February 9th, was a 13-point agreement rich in well-meaning but vague suggestions. The firmest point was that the FARC agreed to restart peace talks, and at a faster pace. In return, Mr Pastrana extended for eight months the FARC's control over its enclave, which was granted two years ago to get peace efforts going.

A subcommittee of the negotiating team will be set up to prevent the breakdown of negotiations in the future, and there was talk of establishing a group of observers, perhaps including foreigners, to ensure that the zone was used only for talks and not for such activities as under-age troop recruitment. Another subcommittee will look at ways to reduce the intensity of the conflict, especially the use of improvised gas-cylinder mortars. Last weekend Jorge Briceño, the FARC's military commander, admitted for the first time that such weapons have killed civilians, and said that the FARC was "investigating the possibility" of using such weapons only against military targets.

Then there is Plan Colombia, which is designed to eradicate cocaine production. The FARC wants the military side of Plan Colombia, to which the United States is contributing $1 billion, scaled down in favour of programmes to wean poor farmers off growing coca. But the government has been pushing ahead with fumigation in the southern jungle province of Putumayo, spraying some 25,000 hectares (nearly 100 square miles) of coca plantations from the air between December 19th and February 1st. Most of that was in areas controlled by right-wing paramilitaries. The next stage of spraying will be in FARC-controlled areas. The aim is to cut the FARC's drug income and force it to take the peace efforts more seriously. But tensions may well rise again.

Marulanda gets eight more months

The biggest stumbling-block to peace may be the paramilitaries, who terrorise and murder anyone suspected of supporting the guerrillas. It was the government's failure to rein in the increasingly powerful Self-defence Union of Colombia (AUC) that caused the FARC—or so it said—to break off talks last November. Carlos Castaño, a warlord whose operation fans out from a mountain lair in northern Colombia, has built the AUC into a force of as many as 8,000 men supported by landowners, business interests and drug traffickers. Some army officers collude with it. It is believed in some quarters that, if the AUC becomes too isolated as a result of an anti-paramilitary drive, it will shrug off the shackles of its backers and develop its own bloody momentum.

In the first sign that the army command recognises the political costs of being associated with such unsavoury allies, a military tribunal on February 12th convicted a former army general in a human-rights case. General Jaime Uscategui was given a 40-month sentence for failing to prevent a massacre of civilians by paramilitaries in the southern town of Mapiripan in 1997.

The picture of a dovish president pulled in opposite directions by thugs on both right and left is not entirely accurate. The army, for example, has become stronger since Mr Pastrana came to power. It is true, though, that he is under great pressure to produce results, and few analysts believe he can achieve them.

Parallels are already being drawn between Mr Pastrana and Israel's former prime minister, Ehud Barak, whose search for peace eventually alienated an exasperated public and played into the hands of a hawkish successor. In Colombia, Alvaro Uribe is the name to watch. A right-winger who displays far less tolerance for the FARC than Mr Pastrana, his hardline views have earned him some support as a possible candidate for the presidential election in 2002.

But even if a deal with the FARC proves elusive, Mr Pastrana may get a consolation prize. The government recently announced a "pre-accord" with the left-wing National Liberation Army (ELN) to set up another, smaller demilitarised zone for talks. The ELN will be allowed to convene in a 400,000-hectare area near the oil town of Barrancabermeja as long as it promises to stop kidnapping and intimidating local people, who are weary of violence.

An incessant paramilitary campaign has pushed the ELN into a corner, adding to the group's enthusiasm to negotiate. It may be here that Mr Pastrana's best hopes of ending his term with a peace deal lie. He can leave his successor, whoever he may be, to deal with the FARC—either at the negotiating table, or on the battlefield. ■

FACE VALUE

Man on the run

Tony White has managed to transform a sleepy scientific-instruments firm into a genomics powerhouse. That was the easy bit

WITH his easy manner, shrewd sense of humour and slight southern drawl, Tony White is a far cry from the popular perception that a high-tech executive should be unpredictable and slightly peculiar. Yet Mr White is head of Applera Corporation, whose two component businesses—Applied Biosystems (ABI) and Celera—lead the genomics revolution. He harbours an exceptional ambition: to build Applera's shareholder value by industrialising modern biology.

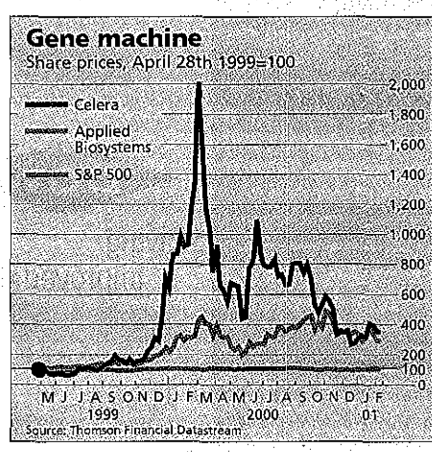
When Celera was created in 1998, its goal was ambitious too: to sequence the human genome in three years, becoming the "Bloomberg of biology" by selling access to the information in a comprehensive, user-friendly database. This week, Celera published its version of the human genome sequence (see page 79), completed 18 months earlier than the division's president and chief scientific guru, Craig Venter, had predicted.

So far more than 30 institutional customers have subscribed to the web-enabled database since it was launched. While still not in profit, Celera's revenues in the year to the end of June 2000 were $42.7m. In spite of its losses, though, Celera's shares have risen more than threefold since the tracking stock was launched two years ago (see chart).

The key to Celera's success, according to Mr White, was the idea that the genome could be cracked by using a factory full of automated sequencing machines and powerful computers. This is in stark contrast to the cottage industry of international laboratories making up the rival publicly financed Human Genome Project, which spent years piecing a sequence together.

Even though the public project has criticised Celera's approach, it has had to take on some of its tools in order to keep up. Chief among these is the world's most efficient gene sequencer which, conveniently enough for Applera, is made by ABI. When Mr White first joined as head of the firm in 1995, ABI was subsumed in Perkin-Elmer Corporation, a struggling conglomerate making analytical instruments mainly for the slow-moving petrochemicals industry. By focusing it on biology instead, he built it to a point where it has a market capitalisation of $15 billion. Sales in its last accounting year were $1.4 billion, and are expected to grow this year by more than 20%.

According to Mr White, ABI's close relationship with Celera is mutually beneficial. Not only does Celera gain early access to new equipment, but it can also help shape the technology to its needs. And for its part, ABI has a convenient testbed for its prototypes, as well as a ready source of genetic information to add value to its equipment.



Racing to start

Adding value, or rather making money, is Mr White's forte. As he admits, science is not his strongest suit. He comes from a background of sales and management at Baxter International, a medical-devices company. The vision of building Celera and leveraging ABI's technology was that of Michael Hunkapiller, head of ABI, and Mr Venter. Mr White leaves the technical breakthroughs to such scientific wizards. His job is to make sure that their grand ideas make good commercial sense, and to woo investors.

But there are limits to how much money his company can make just selling tools or genomic sequence. So Mr White has already started to pursue higher value businesses. In November, the company announced a new molecular diagnostics venture, combining ABI's technology with Celera's genetic know-how to tackle early detection of ailments. Applera also plans to extend its industrial approach to the body's proteins, and to discover how they interact in human disease.

In the long run, genomics and proteomics will probably transform the pharmaceutical business, helping drug makers to develop better drugs faster and with fewer side-effects. That is why such firms have been so keen to sign deals with genomics companies. But rather than hand over its ideas, Celera has decided to get into the drug-making business itself. Other companies have had a similar idea: Millennium Pharmaceuticals and Human Genome Sciences, two other American biotech companies with roots in genomics, have already moved into drug development and have home-grown products in clinical trials.

Mr White reckons that Celera will need the rest of this year to put its pharmaceutical strategy in place, deciding which areas to target, such as cancer vaccines, and hiring more good people. Although the firm is far behind rivals such as Millennium, Mr White is confident that Celera can race ahead. The company has good scientists, canny managers, great technology and more than $1.1 billion in the bank.

However, older pharmaceutical companies understand the chemistry of creating powerful drugs without poisoning patients, testing them in clinical trials, and getting them to market. Celera does not. Mr White's plans therefore include buying up bits of other drug makers, hiring top executives cut loose by mergers in the drug industry, and partnering with others when it comes to selling the goods.

Few in the industry are surprised by Applera's change of tack, but many doubt whether Mr White, for all his business acumen, will be able to pull it off. Drug making sounds easy when you break it down into its component parts, but it takes time for the whole to gel, and Celera's past success is no guarantee of its future in such uncharted territory. Mr White is keen to take his company in a new direction. But, as Franklin Berger, a biotech analyst at J.P. Morgan Chase, points out, the firm may find the bumpy road of clinical drug development rather harder going than the super-highway of genomics.

workers to wear protective clothing during spraying and providing temporary child care at harvest time.

Other changes, including allowing temporary workers to form unions, hinge on a wider reform of labour laws to be debated by Congress this year. But that will be a slow business, and a bit of tinkering with existing laws, adapting them to the realities of fruit farming, might do more for the lives of the women who pick the grapes.

Mexico

How tough can Fox be?

MEXICO CITY

THROWING his weight around is not something that Mexico's new president, Vicente Fox, has had to do much. Since taking over the country in December after 71 years of rule by the Institutional Revolutionary Party (PRI), he has handled delicate situations, such as the budget talks and an electoral squabble in the state of Tabasco, with a mixture of quiet diplomacy and patience. It has worked well—up to now. Another electoral dispute, this time in the south-eastern peninsular state of Yucatan, is giving Mr Fox the first real test of his authority.

It started in October, when opposition parties in Yucatan complained that the PRI-dominated state congress had packed the electoral council, which will run this May's election for the state's governorship, with PRI sympathisers. The federal electoral tribunal, a sort of electoral supreme court, agreed, and ordered the congress to pick a new council.

That in itself was unprecedented. During PRI rule, the tribunal had been little more than a tool of the regime. Yucatan's state congress obeyed the electoral tribunal and chose a new council, but the opposition said that it was just as loaded as the first one. The tribunal agreed again, and in December named a new council itself and ordered the original councillors to hand over their offices and resources to the new ones.

They refused. Rowdy PRI supporters barricaded themselves into the council's offices. Yucatan's quixotic PRI governor, Victor Cervera, rallied his followers with stirring speeches in the plaza of the state capital, Merida, denouncing the federal government's attempts to trespass on the state's sovereignty. The federal government threatened to send in its police to retake the council by force if it was not handed over by the tribunal's deadline of February 10th. But as that deadline passed, and then another, it became clear that Mr Fox's resolve was not quite as strong as he had suggested.

No wonder. After seven decades of a system in which presidents had almost total power, it does Mr Fox no good to appear authoritarian. Particularly not now, when he is trying to resolve the long-running guerrilla conflict in the state of Chiapas with a softly-softly approach, and has George Bush dropping by for a visit on the 16th.

Yet it does him no good to appear weak either. The PRI still rules in 19 of the 31 states (excluding the capital). Mr Cervera is not the first to try his luck—the row in Tabasco was over the attempt by that state's outgoing governor, Roberto Madrazo, to twist the election in favour of his chosen successor—and he will probably not be the last. PRI presidents used to resolve disputes between the states and the centre by deal-making, but Mr Fox has to rule, or at least look as if he is ruling, in a legal and upright fashion.

Mr Cervera is no stranger to playing around with the law. Although governors are supposedly limited to one six-year term, he has contrived to notch up a total of ten years, on and off, in Yucatan's seat of power by haggling with PRI presidents. He is famous for handing out thousands of bicycles and washing machines, supposedly on credit, to loyal supporters. He is a classic example of the old-style regional strongmen who flourished under the PRI and, though few are quite as blatant, he would set an uncomfortable precedent if he won a showdown with Mr Fox's government.

On February 15th, the federal government had backed away from its threat to send in the police. Mr Cervera and his supporters have said they may accept a fourth electoral council, formed by some sort of consensus. The upshot for Yucatan may be the same. But for Mr Fox it would be a tacit admission that he cannot yet make Mexico's laws and institutions work as they should.

Boom bye-bye batty-boy

PORT-OF-SPAIN

THIS week, on St Valentine's day, a mass nude wedding took place at Hedonism III, a holiday resort in Jamaica. It was touch and go. "Indecent", thundered the outraged mayor of Spanish Town: "No government should allow this type of behaviour in a country guided by Christian principles." It was "begging for the wrath of God," said a prominent Pentecostal leader.

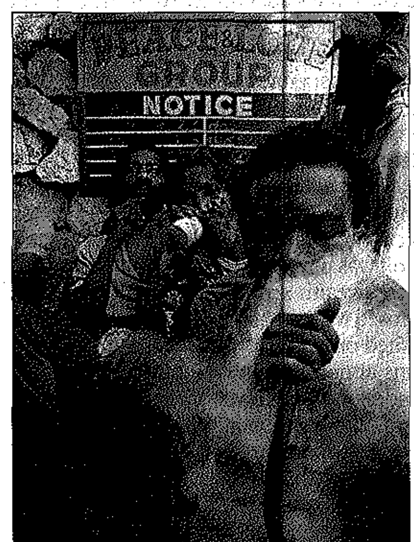
Jamaica markets itself as a free-and-easy place, but when it comes to sexual mores it can be startlingly prudish. The same is true of most other Caribbean countries, and it shows up particularly in their laws relating to homosexuals.

Most English-speaking islands threaten their gay male citizens with imprisonment. The laws are rarely enforced, but they matter. Police may ignore crimes if the victim is gay, and therefore a "criminal" too. Dance-hall lyrics in Jamaica seem to encourage the taunting and violence gays often encounter there: "Boom bye-bye in a batty-boy head," is a refrain that means, "Shoot a gay man."

Many Caribbean politicians privately admit that their laws are antiquated. But if they say so in public, the reaction can be fearsome. Dominica's attorney-general, Bernard Wiltshire, dared hint in December that his island's laws were unfair. He has been cruelly pilloried in the press, on radio and in Carnival calypsos.

Most politicians court easy popularity. "Nobody ever sing 'Boom bye-bye' for me," says Jamaica's elderly opposition leader, Eddie Seaga. "I am not one," says the prime minister, P.J. Patterson: "We have no intention whatsoever of changing those laws." In Trinidad, an anti-discrimination law has been carefully crafted to exclude sexual orientation. A constitutional amendment outlawing discrimination, including the sexual-orientation kind, was unanimously passed in Guyana last month, but the president will not sign it and it is likely to lapse.

A handful of Caribbean countries have had to change without debate. On January 1st, in line with its obligations under European human-rights treaties, Britain reformed the laws of its five tiny Caribbean Overseas Territories. They must now stop treating homosexuals as criminals. Church ministers in the Cayman Islands are getting up a petition in protest, but they do not expect Britain to listen.



Less tolerant than they look

countries is still Russophobic. Any political influence would have to be so discreet as to be largely useless. And even for a monopoly provider, gas is a hard weapon to use. Cutting off supplies for political reasons to weak, faraway countries like Georgia is one thing. But Poland is much less dependent on gas, has a much stronger economy, and is both a NATO member and hopes soon to join the European Union. Any attempt by Russia to muck around would be both ineffective and damaging to plans to sell gas elsewhere.

Not all captive nations are as jumpy. Estonia, which suffered grievously under Soviet occupation, was quick to welcome investment by Gazprom in its national gas company. (To be on the safe side, though, it also sold an equally large stake to Germany's Ruhrgas.) The Estonian government argued that this would give Russia a stake in their country's prosperity, and therefore less reason to make mischief.

However, until Russian companies are more transparently run, and for as long as the Kremlin seems unable to get over its imperial hangover, countries like Poland and Hungary will be understandably edgy—even about deals which from a business point of view make undeniably good sense. ■

Globalisation to the rescue

KOSICE

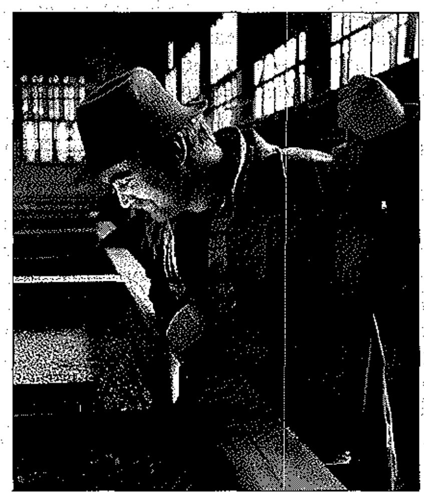
KOSICE, the second city of Slovakia, is an old-fashioned company town dominated by the steel plant of the East Slovakian Ironworks (VSZ). Unemployment in Kosice (pronounced kosh-itz-ee) is high, but VSZ employs 24,000 at wages higher than the national average. A third of the families in Kosice, reckons a city official, have a relative working at the plant.

Few of the company towns spawned, like Kosice, by communist autarky have been so lucky. The saviour of those that have has invariably been a western company that has spotted a promising industrial plant at a good price, and has then injected money and management skills to turn the place around—witness Volkswagen's success with the Czech company, Skoda Auto, and the ensuing prosperity for Skoda's company town of Mlada Boleslav. Kosice's saviour has been the Pittsburgh-based US Steel, which bought the company in November last year for $500m, $325m of which was in assumed debt. The American company also agreed to pump in $700m of new investment and to guarantee that there would be no forced redundancies for 17,000 of the workforce for ten years.

As befits its local importance, the steel plant is built on the scale of Darth Vader's Deathstar. There are clinics, schools, shops, banks, even a travel agent, "Ferrotour". One hall is over a mile long. A grey glinting blizzard of iron flakes falls like snow in the smelters where, with computerised precision, vats of molten iron begin their journey of treatments—a journey which ends in shiny value-added products like tin-coated metal for cans or galvanised automotive steel, which is where the margins are made in today's steel business.

The Slovak prime minister, Mikulas Dzurinda, for whom the sale of VSZ to a western strategic investor was a political imperative, received a congratulatory telegram from Bill Clinton after the deal with US Steel was signed—as well he might. VSZ accounted for 10-20% of Slovak exports in the 1990s and the plant still accounts for 15% of Slovak GDP, says John Goodish, the newly appointed head of the business. Had the deal failed, the whole of eastern Slovakia, not just Kosice, would have suffered. The economic hopelessness of Ukraine, locals ghoulishly speculate, would have moved west and swallowed them up. At the very least, the failure of VSZ would have put off Slovakia's hopes of joining the European Union.

The US Steel takeover marked the end of a crisis that had been running at VSZ



There's money in it

(now called US Steel Kosice) since 1998. The problems for the company began when it was farmed out by Vladimir Meciar, Slovakia's populist-nationalist leader until 1998, to Alexander Rezes, one of his cronies. Mr Rezes and his family, using the steel-producing core of the company as collateral, then went on a spending spree. They bought up a number of unrelated businesses, including Sparta Prague, Central Europe's top football club. In October 1998, the banks threatened VSZ with bankruptcy. A Slovak-born American, Gabriel Eichler, who had overseen the transformation of the Czech state electricity utility, was brought in to sort things out.

Mr Eichler's first task was to sell off VSZ's odder acquisitions and fashion it into two parts: the core metal concern, to be sold on to US Steel—which already operated a successful joint venture at the mill—and a remnant VSZ which would hold a number of the mill's suppliers and a few other less saleable concerns, including a large Kosice hospital.

Next, Mr Eichler focused on getting the steel-producing core in better shape. That meant firing the worst managers, raising production, getting rid of exclusive supplier contracts, and actually making customers pay for the steel they received. Under Meciarism, much of the steel was never paid for. Stolen? "Let's just say somebody forgot to pay for $200m of it," explains Mr Eichler. It wasn't just the Rezes family benefiting, he carefully adds, but managers, trade unions, and customers too—anyone who knew how to work the system.

The results of the overhaul were immediate, say bankers who watched over the process. When it introduced competitive tendering for its suppliers, VSZ saw a 15% drop in prices. "It was not a challenge, but an idiocy," Mr Eichler says wryly. But the turnaround was possible because the steel plant was a good one; new equipment was producing a decent product at competitive prices. US Steel plans to increase production from 3.3m tonnes last year to 4m this, despite a global oversupply.

Morale at the plant is high. Managers now speak constantly of customer care. "Quality used to be something of an afterthought," one admits. Workers say they no longer fear for their jobs and profess amazement at being consulted over company decisions. The arrival of US Steel has given new hope to the town of Kosice too. The Slovak government hopes it might become a sort of anchor tenant for foreign investors. The American company is playing its part by setting up an office to attract some of its customers to invest in Slovakia. There is talk of a BMW car plant on the way, and the city says it is hoping that a large electronics company will move in this year, bringing in another 4,000-or-so jobs.

It is not hard to see Slovakia's appeal. Its labour is among the cheapest, relative to its skills, in the world. "The biggest asset I have on this line," says Tony Pacilio, a Chicagoan who has been in Kosice for three years with US Steel's joint venture, "is my workers. The equipment is okay, but the workers are way better educated than back home."

Japan
Bunkered

TOKYO

FRANCIS DRAKE did it, although his game was bowls, and once it was over he sunk the Spanish armada. Yoshiro Mori, Japan's much-abused prime minister, has been less fortunate. When news of a collision, on February 9th, between an American nuclear submarine and a Japanese fishing boat reached Mr Mori, he was enjoying a round of golf. He played on for another three holes and arrived back at his official residence some three hours later. Beset by a weakening economy, a falling stockmarket, assorted scandals and riot within his own ranks, Mr Mori's golfing gaffe has done him more harm. This week, senior officials from New Komeito, which shares power with Mr Mori's Liberal Democratic Party in a three-way coalition, were calling for his head.

Like the LDP, New Komeito faces an election for Japan's upper house in July. But it must also contest local elections for Tokyo's metropolitan assembly in June. The party is strong in Tokyo. Because it is in bed with the LDP, however, New Komeito's strained reputation for clean politics is coming under daily assault. A campaign-finance scandal involving KSD, a small-business foundation that showered the LDP with money, has already led to the arrest of an LDP politician. A scandal in the foreign ministry, involving a low-level bureaucrat said to have used government money to buy racehorses, is doing yet more damage.

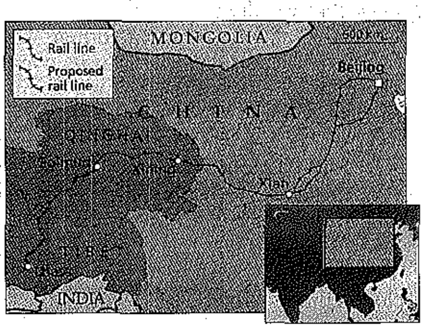
The gossip in Nagatacho, Tokyo's political district, is that Mr Mori's fate may have been sealed at a meeting between New Komeito and LDP dons in an Azabu restaurant on January 24th. Mr Mori would supposedly be required to announce his resignation, perhaps at the end of February. The annual election for the party's presidency, which decides the prime ministership, would then be brought forward, from September to the party's general meeting on March 13th. With the much-fancied Yohei Kono, the foreign minister, done in by the scandal in his ministry, the main candidates are Ryutaro Hashimoto, a former prime minister who joined Mr Mori's cabinet in December, and Junichiro Koizumi, who heads Mr Mori's faction in the LDP. After some early gains by Mr Hashimoto, Mr Koizumi now seems to be inching ahead.

The difficulty will be persuading Mr Mori to leave. The KSD mess may lead to the arrest of other LDP politicians. The foreign-ministry scandal may claim the scalp of Mr Kono. Mr Mori's tax position is not entirely clear. Yet nothing seems to penetrate his leathery hide. He seems still to enjoy life, especially away from Tokyo. Next time he plays a round, he may be tempted to leave his mobile phone behind.

By train to Lhasa

FOR those whose idea of happiness is a long-distance train ride, there is a treat coming up. On February 8th, the Chinese government approved a plan to construct a railway line from Golmud, in western China, to Lhasa, the capital of Tibet. When it is completed, in about seven years' time, it will be possible to take a train all the way from Beijing to Lhasa, a distance of 3,900km (2,425 miles). The Golmud-Lhasa stretch will itself be 1,125km long and, to add to the thrill, it will be the highest railway in the world. The views across the Himalayas should be stupendous.

Not everyone is thrilled by the prospect of the new railway. Tibet was occupied by the Chinese in 1950, shortly after China's Communist revolution, and made an "autonomous region". Ever since, China has been trying to absorb the region into the mainstream Chinese economy. The railway, say Tibetan opposition leaders in exile, will make it easier to resettle more Chinese workers in Tibet and exploit its resources of oil and gas. During his worldwide wanderings, the Dalai Lama, Tibet's spiritual leader, has told international companies that it would be best not to get involved in industrial developments in his country.



The Chinese prime minister, Zhu Rongji, has appeared to confirm Tibetan suspicions. The railway, he says, will help to speed up "economic and cultural exchanges". Because of the difficulty of building in the Himalayas, Tibet is China's only region without a railway network. Now its engineers are apparently confident of laying the line safely, even on a tricky 600km stretch of permafrost. In Tibetan temples they may be praying for global warming.

Pakistan
Generals at bay

LAHORE

AFTER over two years of relative oblivion in self-imposed exile, Benazir Bhutto, a former prime minister of Pakistan, has jumped on to the front pages of the country's newspapers. She has done so, as it happens, on the basis of a report in a British newspaper. The report claims that the former government of Nawaz Sharif leaned on some judges to convict Miss Bhutto and her husband, Asif Zardari, for corruption in 1999. The evidence for this is said to be in the form of taped conversations between senior government officials and a judge at Miss Bhutto's trial. The tapes were made by a member of Pakistani intelligence who decamped to London and has now, so the story goes, been pricked by conscience.

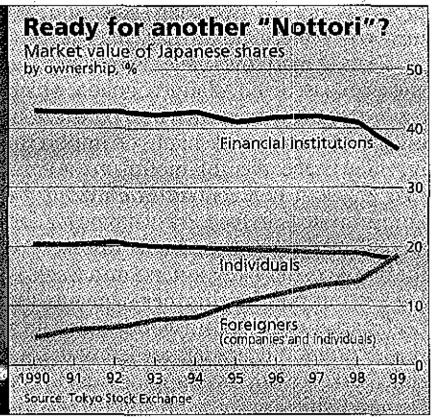
Miss Bhutto's footprints seem to be all over the story. After her conviction in 1999, she claimed that she had not had a fair trial. But the Supreme Court routinely postponed hearing her petition for one reason or another. Last December, when Mr Sharif was exiled to Saudi Arabia by the present military government of General Pervez Musharraf, Miss Bhutto sensed a political vacuum in the country and considered returning to Pakistan and taking on the generals.

The Musharraf regime said it would arrest her if she set foot in Pakistan and dig up more evidence of her corrupt activities. Meanwhile, the Supreme Court announced that it would hear her 1999 petition on February 26th. This led pundits to speculate that the military regime, having got rid of one prime minister, was gearing up to finish off another. But the tapes have compromised the judiciary, whose credibility is already low after decades of battering by generals and politicians. The Supreme Court will be under pressure to acquit Miss Bhutto or order a lengthy retrial which would give her lawyers a chance to air her grievances.

This may be just the beginning of General Musharraf's troubles. Disgruntled opponents of the regime have asked the Supreme Court to strike down an "accountability" law under which hundreds of politicians and bureaucrats have been imprisoned or sidelined from politics. Lawyers' organisations across the country have banded together to announce a national strike on February 27th, demanding an early restoration of civilian rule. And the Alliance for the Restoration of Democracy—comprising supporters of Miss Bhutto and Mr Sharif, along with several other parties—is planning a demonstration on March 23rd, Pakistan Day.

Worse, the religious parties are beginning to suspect that General Musharraf may not be too kindly disposed towards them,

Keita "The Raider" in hostile times



ness, but they are glacially slow and the timing of their impact is unpredictable. Cross-shareholdings between banks and their corporate chums, for example, are unwinding, and many of the freed-up shares have been bought by foreign investors. Thus, when Boehringer Ingelheim, a German pharmaceuticals company, made an unsolicited bid last year for SSP, a Japanese over-the-counter drugs maker, analysts predicted that a new wave of similar bids might follow. Some even forecast the imminent arrival of an "Anglo-American" M&A (mergers and acquisitions) market, where investment banks, company bosses and investors would wrestle for control of companies.

Japan might not be quite there yet, but signs of more rapid change have emerged over the past year. Thanks to the troubles of the banks, for instance, cross-shareholdings are getting dumped on to the market faster than ever. Fuji Bank, a huge source of previously unavailable stock, is thought to have recently dumped up to 2% of Canon's equity.

Another sign of change is the work of M&A Consulting, a boutique set up by Yoshiaki Murakami, a former top bureaucrat. Mr Murakami made headlines last year with Japan's first hostile bid, for Shoei, a raw-silk maker which now makes batteries. The bid failed, so Mr Murakami set off on a different tack, this time as an activist shareholder. He is currently raising funds from Japanese and American investors to back him.

The idea, says Kenya Takizawa, one of the firm's three partners, is to take a gentler approach, buying stakes in undervalued companies, then working on their management to persuade them to change. There are pots of gold hidden everywhere, he says. Because the market is so inefficient, about one-tenth of Japan's 3,500 listed companies have break-up values of more than twice their market capitalisation. Thanks to the pervasive system of cross-shareholdings, a listed subsidiary (such as Fuji Electric) will quite often own shares in its listed parent (Fujitsu) worth more than its own market value.

M&A Consulting's medicine might be bitter for many managers, but it is a lot sweeter than some of the potential alternatives. For example, foreign asset-strippers are believed to be eyeing wobbly companies, especially in the property sector. Snow Brand, a milk company involved in a food-poisoning scandal last year, is talked about as one possible target because its share price has slipped as a result of the scandal. Using the same logic, other disgraced companies such as Bridgestone, a tyre maker, and Ajinomoto, another food company, are also potential targets. Meanwhile, there are rumours that international telecoms giants are sniffing around for bargains.

The key change in Japanese markets this time is in investors' attitudes. Individuals and foreigners, who are increasing their stakes, have always been expected to vote in their own best interests. But now Japanese institutions are increasingly joining them. Two years ago, the Pension Funds Association, a trade organisation, drew up new investment guidelines that require investment managers to vote their shares responsibly and solely in the interests of shareholders. Last month, the health and labour ministry came up with similar guidelines. Through public-pension funds, the ministry invests no small amount of money itself in the stockmarket. But the most important thing, says Nicholas Benes of Japan Transaction Partners, an M&A boutique, is the signalling effect: "People are coming to see what is the right thing to do." ■

Corporate governance in France

Where's the Michelin woman?

PARIS

This week's dispute over the Schneider/Legrand merger shows how far France is behind in matters of corporate governance

ON MANY issues of corporate governance, France is way behind best practice. Michelin, for example, the world's biggest tyre maker, is one of France's best-known and most international companies. Its shares are listed on the CAC index of France's 40 leading companies by market value, and it sells its products all over the world, so much so that its home market accounts for only 15-20% of its sales. So how many members of its board come from outside France? None.

In fact, Michelin barely has a board to speak of. Although its shares are listed in Paris, it remains family-controlled. And although it boasts a supervisory board, in practice it is run by an all-powerful triumvirate of so-called managing partners, two of whom are scions of the Michelin dynasty. Among the CAC40, it and Lagardère, a defence group, are examples of an odd French company structure whereby shareholders hand over power to management and retain almost no scrutiny over their decisions. The remaining 38 companies in the index have more typical limited liability structures.

Small wonder, then, that Michelin has one of the worst corporate governance records in France, perhaps in Europe. A recent study by Korn/Ferry, a headhunting firm, says that Michelin is the only member of the CAC40 that has made no progress towards meeting the standards set by the second of the two Viénot reports (published in 1999) on how to improve corporate governance. The issue is especially fraught because foreign investors own around 40% of the shares in the CAC40 and have been pushing for greater openness.

According to the Korn/Ferry study, Michelin is increasingly isolated. Of the leading 40 companies, only two others have failed to implement all of the rather limited recommendations of the first Viénot report (published in 1995). One is Cap Gemini, a consulting group that recently merged with Ernst & Young and which gets barely any scrutiny from outside directors. The other is Sodexho, an international food and business-services group that is heavily influenced by the Bellon family, which owns a 41% stake. Like Michelin, it has no non-French board members despite depending on external markets for nearly 90% of its turnover.

In general, corporate governance at big French companies is steadily improving. But progress towards the more ambitious goals of the second Viénot report is slow. The goals include such measures as the separation of the roles of chairman and chief executive,

Indian agriculture

Prowling tiger, slobbering dog

LUDHIANA

Obsesssion with self-sufficiency is a bar to reform

RATS and buffaloes in Punjab, India's breadbasket, are in fine fettle. The rodents are feasting on millions of tonnes of wheat and rice stored in government warehouses (or, frequently, in the open air), the cattle on discarded potatoes. But no one else is happy. The government cannot afford the huge cost of buying and storing the grain coming from farms in Punjab and elsewhere in India, nor can the poor afford to buy it. By some measures, nearly half the population is under-nourished.

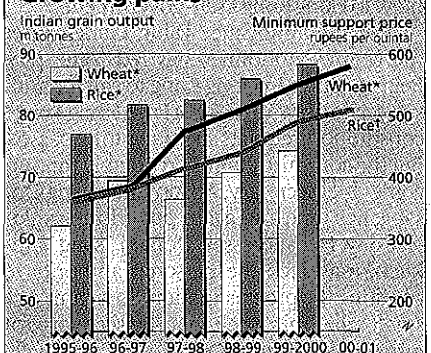
Farmers, who feel themselves pinioned by high costs, low prices and the threat of imports as India opens its markets, are in a foul enough mood to scare politicians. With elections coming up before long in five states, says K. Varadharajan, general secretary of the All-India Kisan Sabha, which claims to represent 16m small farmers, rural discontent will "terribly affect" India's ruling Bharatiya Janata Party and its coalition partners.

India has come a long way since the 1960s, when it had to beg for food from foreign granaries such as the United States. Thanks to the green revolution and investment in irrigation, roads and other sorts of rural infrastructure, India can now feed itself and still have leftovers. But it has not developed a modern food industry. Value added in Indian agriculture is 15-20% of the total, compared with an additional 100% or more in some developed countries, says Karam Singh, director of the Agro Economics Research Centre at Punjab Agricultural University in Ludhiana.

India exports less than 5% of its agricultural produce. The Himalayan stocks of rice and wheat represent food that is filling neither rich western stomachs nor poor Indian ones. Like some of the cows that wander about Indian roads, farmers are protected yet apparently miserable. Important inputs like electricity and water are free, or almost so, and fertiliser is subsidised (though farmers complain that the fertiliser industry captures most of that subsidy). For wheat and rice, in some places, farmers have an assured buyer in the Food Corporation of India (FCI) at an assured price. That minimum support price has been rising, even though world prices have fallen, one reason why government storehouses are choked with unwanted grain. India's economic reforms have also helped farmers by reducing the relative price of manufactured goods, shifting the terms of trade in their favour during the 1990s.

This is not how it seems to India's angry agriculturists. Their list of woes begins with last summer's poor monsoon, which has depressed agricultural growth this year. Despite this, Mr Varadharajan claims that "prices have crashed" for a variety of commodities, including coconuts, cotton, tea and rice. Even for products with floor prices, he says, farmers are getting less than the minimum. When farmers dare to diversify away from them, the results can be catastrophic. It is they, not the state, who bore the costs of Punjab's potato glut. In Andhra Pradesh, diversification disasters have led to a series of highly publicised suicides.

Growing pains



*Financial year ending March †Market year ending September
Sources: Centre for Monitoring Indian Economy; Food Corporation of India

Part of the distress is caused by support prices, which have raised costs for farmers growing other crops, says Abhijit Sen, an economist at Jawaharlal Nehru University who was recently head of the Commission on Agricultural Costs and Prices. Some distress reflects a deterioration in government services, such as public investment in irrigation and credit to farmers, which has slowed growth. It does not help that farms are small, and shrinking with each generation (whereas the population dependent on them is not). Many direct their ire at the World Trade Organisation, which allows rich countries to subsidise their farmers but obliges India to dismantle quotas on imports. The last of these are due go on April 1st. Mr Varadharajan wants high tariffs to replace them.

There are less-defensive approaches. Sharad Joshi, a farmer and activist from Maharashtra who recently became chairman of the government's agriculture task-force, says the farmers' movement is split between "tigers" that want to escape their cages to prowl for exciting new prey, and "dogs" that prefer the certain sustenance of the kennel.

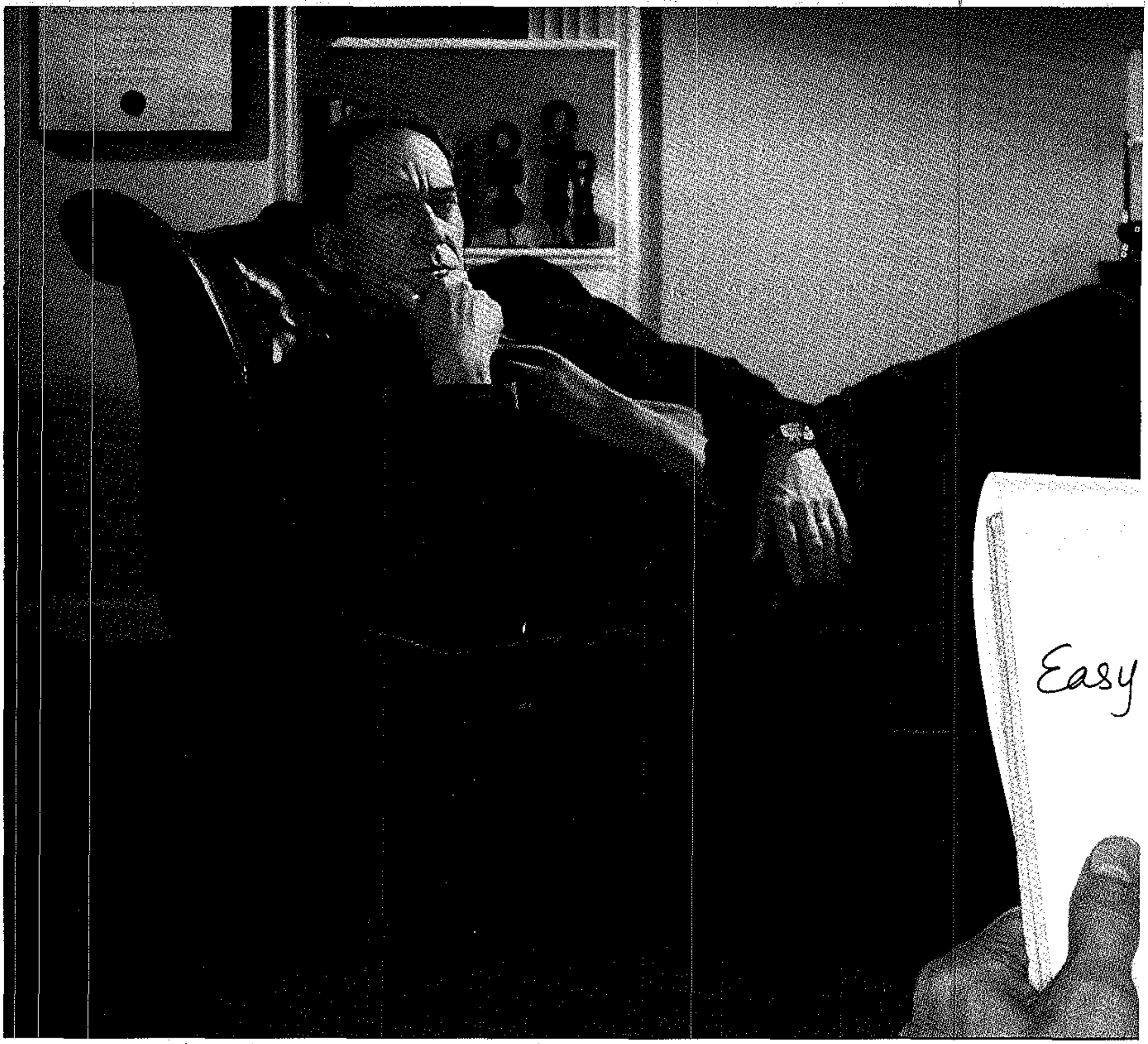
A tigerish policy would free farmers from India's obsession with producing enough food to feed itself and bid them take their cues from markets, both domestic and foreign. Current policies, little touched by the economic liberalisation that began ten years ago, discourage this. Some examples: states may forbid the export of produce to other states; private traders are barred from stocking commodities beyond certain limits (to prevent hoarding); private investment in dairies is restricted; in Punjab, farmers may sell most major crops only through highly taxed *mandis* (markets); futures trading in most commodities is banned.

All this subtracts value from India's crops. McKinsey, a consulting firm, estimated not long ago that after middlemen and poor infrastructure had taken their toll, a fifth of the value of food output was lost. For fruit and vegetables the proportion was twice that. Regulations discourage investors from improving the way food gets from field to shop, which would make diversification less risky and raise incomes.

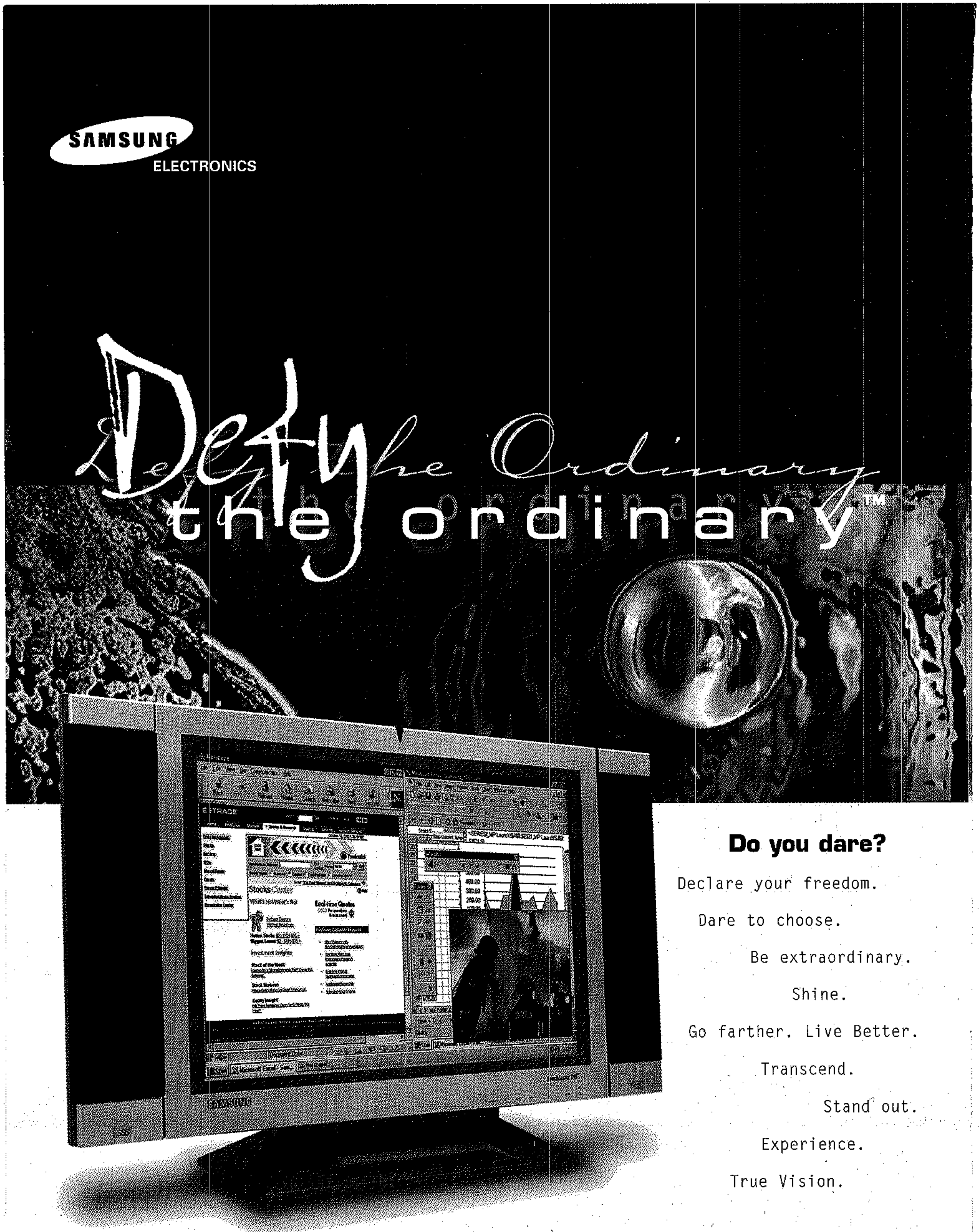
When Cargill, an American multinational, tried to buy wheat direct from farmers, bypassing the *mandi* system, middlemen persuaded the state government to force the company out. But the obstacles are not always insurmountable. Pepsi, an American company, has 2,000 farmers growing tomatoes and potatoes for processing in Punjab.

Mr Joshi is trying to get round the small-farm problem by promoting a new sort of company, in which farmers' land would be converted into an equity stake. But India must reform its farming industry if it is to attract big investment in food. A new policy unveiled by the government last summer suggests some of the necessary reforms, but it remains a draft. Meanwhile, farmers are getting angrier and officials are wondering how to cope with the next big deliveries of grain. The government has yet to specify a support price for the forthcoming wheat crop. The situation is "very explosive" says an official of India's Planning Commission. Everyone but the livestock is worried.

SOLUTIONS FROM DELL, MICROSOFT
GIVING IMPOSSIBLE AN INFERIORITY



intel inside
pentium® III xeon™



Do you dare?

Declare your freedom.

Dare to choose.

Be extraordinary.

Shine.

Go farther. Live Better.

Transcend.

Stand out.

Experience.

True Vision.

Jammed gearing
Tata Group companies
Nine months ending December 2000, $m

	Revenue	Profit after tax
Tata Engineering	1,273	-81
Tata Steel	1,250	79
Tata Power	663	74
Tata Chemicals	324	68
Hotel chain	113	17
Tata Tea	151	21

Source: Company report

market by now instead of just over 10%.

Not that the Indian car market is a push-over any longer. The streets of New Delhi and Mumbai may still be graced with stately old Morris Oxfords, churned out by Hindustan Motors as the Ambassador model, but they are a period relic in a niche market. The Maruti small-car company is now the dominant force. Formed in the early 1980s as a joint venture between Suzuki of Japan and the Indian government of Indira Gandhi, it eventually captured 80% of the market, helped by government money. When Tata challenged it head-on in 1999, Maruti countered with new models and big price cuts. But the arrival on the market of both Tata and Hyundai from South Korea has pushed Maruti's share below 60%.

Nearly all the world's leading car companies now have a presence in India, rather as they have in Brazil. But, for the moment, the competition and overcapacity is such that no factory is operating at more than half capacity. Given that car factories need to be operating at four-fifths capacity to make decent profits, this is a big problem.

The car-industry mess could be further complicated by the planned privatisation of Maruti announced this week. None of the world's car companies, to which the stake to be privatised has been quietly hawked, is much interested. The outcome is likely to be that General Motors (which now owns 10% of Suzuki and drives it from the back seat) or Tata will take up the Maruti stake.

Whatever the fall-out from the privatisation, Mr Tata already has a strategy to bolster his venture into the car market. He is negotiating a deal with the French PSA Peugeot Citroën group to develop a saloon version of its little 206 hatch-back. Such a vehicle would be manufactured in Peugeot's Brazil factory for the Latin American market, and by Tata at home for its local and South-East Asia market.

The deal is interesting in two ways: first, Indians rather than Europeans will be doing the high-value engineering development work, at one-third of the European cost; second, it could lead to closer collaboration with the French group, which might even buy into Tata's car business. Peugeot's chief executive, Jean-Martin Folz, is desperate to build on his company's purely European success by selective expansion in fast-growing markets such as India.

But Mr Tata has another option should the car venture prove onerous. Tata's computer consultancy, TCS, unlike other Tata group companies, is a wholly owned subsidiary of TSL. It is India's biggest software company by far, and has become the new lifeblood of the Tata empire. Its client list features many of the top American companies with whom it does business on highly profitable terms. TCS, founded more than 30 years ago, has its own range of software products and a reputation for on-site implementation. For some time, Tata has been considering a flotation of the company. Mr Tata will not commit himself to the timing, nor will he say what percentage of the shares will be floated. But, for sure, it is coming.

Tata, with its paternalistic, charitable heritage, cannot re-shape itself as blithely as an American or European group. "How could I get out of steel when 100,000 workers and 1m people in Jamshedpur depend on us, in a very poor part of India?" asks Mr Tata. Instead, at Jamshedpur, his managers concentrate on making their steelworks world-class, while elsewhere in the group they are prepared to take audacious moves, such as that into car making.

Mr Tata is adamant that he is not going to pour away the group's software wealth in traditional industries such as car making. But he knows that the harvest to be reaped from the software investment might have to carry Tata through some lean years ahead. ■

Napster

And the band plays on

SAN FRANCISCO

THE music is still playing at Napster, the Internet service that allows its users to swap music files for free. But only just. On February 12th an appeal court partially upheld an injunction, granted last July, calling for the service to be shut down. The good news for the Recording Industry Association of America (RIAA), which had applied for the injunction on the ground that Napster was facilitating piracy, was that the appeal court rejected most of the arguments that Napster offered in its defence. But the court quibbled with the injunction in its current form, and asked for it to be slightly rewritten. So Napster's tens of millions of users, who faced the prospect of the service being unplugged, can continue to use it—for now.

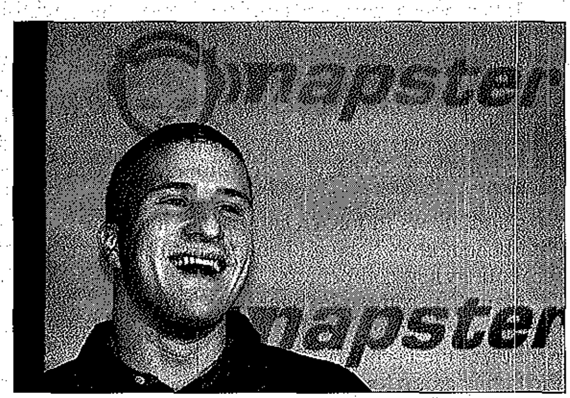
Specifically, the appeal court complained that the injunction is too broad, in that it seeks to prevent all file-swapping activity via Napster. While the court agreed with the RIAA that Napster "knowingly encourages and assists" in the exchange of copyrighted material, it noted that a small amount of legitimate material is also available on the service. The court ruled that expecting Napster to be able to distinguish between legal and pirated music, and to allow trade in the former but not the latter, was unreasonable. So the new injunction will require record companies to inform Napster of specific examples of piracy, so that they can be removed.

If Napster fails to remove pirated files, it will be in breach of the new injunction, and since removing individual files from a decentralised service like Napster is essentially impossible, this will in effect force it to shut down. Preparation of the new injunction will take days, if not weeks, however, and Napster still has a few more cards to play. In particular, it can call for another hearing in front of a panel of judges, and it can then appeal to the Supreme Court.

Even so, Napster's defence is in ruins. The firm's suggestions that swapping of files by its users counted as "fair use", and that such swapping was protected by a previous case relating to the use of video recorders for time shifting, were both rejected. Worse, since the court determined that Napster knew its service was being used for piracy, it could now be found guilty of vicarious infringement by its users, and face huge fines.

The ruling is also bad news for Bertelsmann, the parent company of BMG, a record company that switched sides and formed an alliance with Napster last October. The idea was that in return for dropping its suit, Bertelsmann would work with Napster to create a legal, subscription-based service, and would encourage other record companies to co-operate. Napster users, after all, constitute the largest community of music-lovers on earth. The service claims to have over 50m registered users, and surveys show that most of them would be prepared to pay a monthly subscription.

But despite optimistic noises from Andreas Schmidt, chief executive of Bertels-



Shawn Fanning, Napster's founder, is not upset

soon, to plant crops before the rains start, which is usually in May. The World Food Programme says that as many as 9m people may need aid this year in the two countries because of drought and war. Any economic recovery, in Eritrea in particular, depends on getting soldiers and refugees back into the fields. With luck, the two sides will have more important things to do than argue.

Algeria

Sour cherry

CAIRO

MUCH faith was put in the "Bouteflika effect". When Abdelaziz Bouteflika was elected Algeria's president in April 1999, many people persuaded themselves that all would be well, or at least better. His election victory may have been manufactured, his policies vague and his dependence on the army clear, but at least he promised to put Algeria's seven-year insurrection to an end.

Less than two years later, the faith has evaporated. Mr Bouteflika and the army leaders who gave him the job are locked in a power struggle. Meanwhile, massacres and ambushes continue in the countryside. On February 11th, for example, guerrillas slaughtered 27 civilians, including 13 children. As ever, there was no wholly plausible explanation for the violence, nor for the army's failure to crush those who had committed it.

The president is facing an unprecedented wave of criticism from the Algerian press, and even from the parties in the government coalition. They say that he does not consult with people, that he travels abroad too much and, most damningly, that his "civil concord" peace initiative has failed. They even say that the amnesty he championed for Islamic militants who have surrendered has fuelled an increase in violence by giving the impression that there is no need to fear punishment. According to one analyst, Mr Bouteflika "has become isolated, and there is an attempt to lumber him with more than his fair share of responsibility. It is a sign that relations between him and the army are in crisis." A recent newspaper editorial put it more bluntly. It said that the soldiers regretted having chosen Mr Bouteflika.

The dispute between the president and senior officers is more about influence than political vision. Mr Bouteflika was brought in to polish the regime's image after years of bloodshed. But, saying that he does not want to be "the cherry on the cake", the president has been trying to exercise his full constitutional powers, including the appointment of top officials. The army, long accustomed to running the country from the shadows, resents this encroachment.

The soldiers are also disappointed by Mr Bouteflika's failure to shield them from an

An odd sort of concord

unending flow of embarrassing questions from human-rights organisations. Despite inviting such groups to visit Algeria, Mr Bouteflika has not succeeded in stemming their criticism. Former officers continue to accuse the army of involvement in past massacres—prompting pressure-groups to demand interviews with the top brass.

Meanwhile, after falling for a few years, violence is on the increase again. Over 500 people have been slaughtered in the past two months. Shadowy bands of killers continue to wipe out entire families in attacks on isolated communities in western Algeria. The army's intelligence is not good, and the militants do not follow a predictable strategy. Some people, however, suspect that the killings suit the broader purposes of those in power. They show that "civil concord" is a myth—so the army must keep control.

More worrying for the generals, say diplomats, is the number of soldiers killed by the Salafist Group for Preaching and Combat, which operates in the centre of the country. Rumours speak of some 200 soldiers recently killed in efficient assaults. Unlike the throat-slitters of western Algeria, the Salafis confine their attacks to military targets. The army has recently bombarded the group's hideouts in the forest of Sidi Ali Bounab, but the results are uncertain. Indeed, the entire military situation, like most pressing questions in Algeria, is opaque.

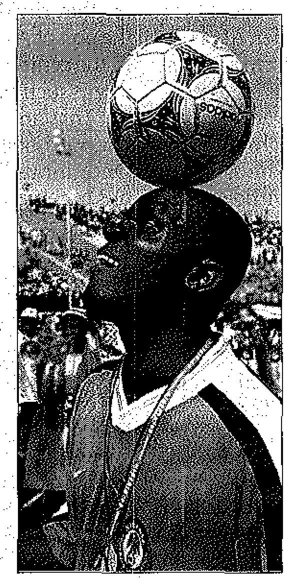
Nigeria

Bill, borrow and embezzle

ABUJA

SOUNDING only faintly embarrassed, President Olusegun Obasanjo claims that his government has no choice but to build the grand new stadium going up near the capital, Abuja. After all, it inherited the decision to hold the 2003 All-Africa Games in Nigeria from the military regime that came before it. But some spoilsports still wonder why a country that recently had to reschedule $23 billion of foreign debt is building a stadium due to cost at least 38 billion naira (around $347m at the official exchange rate). That is roughly the amount the government has budgeted for recurrent spending on education this year, and twice what it plans to spend on health.

Nigeria already has plenty of stadiums: in 1999 it held the FIFA World Youth Championships in eight international-sized grounds, including a huge one in Lagos, the country's commercial hub. But Lagos is in the south, and Abuja in the north. Mr Obasanjo explained that the stadium was being built for "political" reasons. It is a question of prestige: northern bigwigs are determined to have a stadium in their patch.



Balancing the regions

The project is just one of several issues that have made people question Mr Obasanjo's priorities. Before his election in 1999, the soldier-turned-politician was a member of the board of Transparency International, a Berlin-based group that campaigns against graft. He promised, in his inaugural speech, to wage an unceasing fight against the corruption that bedevils his country, and to assert the rule of law. Later, he set up a new anti-corruption agency.

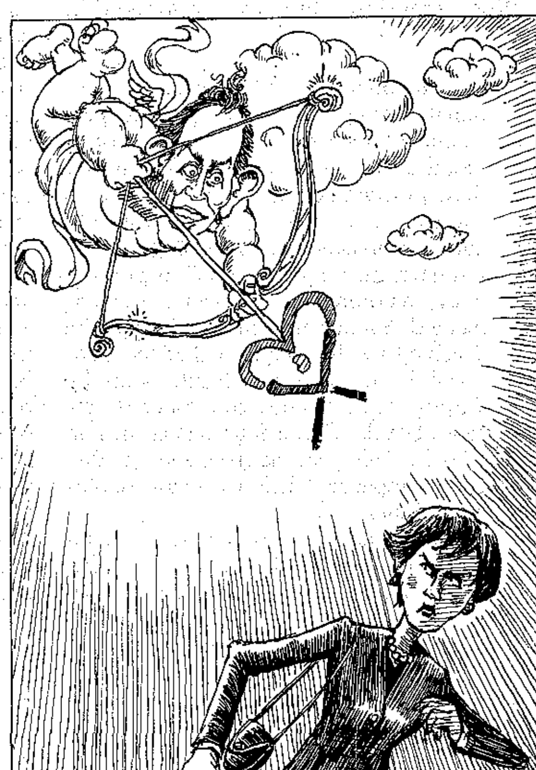
Despite Mr Obasanjo's professed zeal, however, only one senior official—the head of the country's aviation authority—has been sacked for corruption, and not one has been jailed. Lawmakers have mocked attempts by the police to investigate MPs for corruption. Graft remains as much a part of doing business in Nigeria as ever, including, it appears, in the instigation of big-budget infrastructure projects that allow plenty of room for

BAGEHOT

What women want

"LA DONNA è mobile," wails that duke in "Rigoletto"; and women are especially fickle when it comes to voting. Opinion polls consistently find them more likely than men to declare themselves "undecided" about which party they intend to support in the coming election. On the other hand, once they have made up their minds, women are more willing than men to do something about it. For two decades now, British women have been likelier than men to cast their votes; in the general election of 1997, 3% more women voted than men—a turn-out gap of almost 2m votes. Which leads the Fawcett Society, an organisation that champions sexual equality, to declare happily, "women's votes will decide the outcome of the next election."

Whereas American women have tended to support the Democrats, British women, especially older women, are more Conservative. Why is a bit of a mystery, since the Labour Party has always espoused enthusiastically the sorts of issues—health, education—that women say they care about. It may be that women have tended to shy away from Labour because it came out of the only environment more misogynistic than the Tories' gentlemen's clubs—the trade union movement. Certainly, as the links between the Labour Party and the unions have weakened, so the gender gap has narrowed. It was huge in the 1950s, at about 17 points. It narrowed in the 1980s; widened again in 1992; and, in 1997, shrank to a couple of percentage points.



Surely, with its caring, sharing policies, New Labour should be able to reverse the gender gap? After all, the ladies do love Tony Blair. Notwithstanding the humiliation the Women's Institute inflicted on him last year, when its members booed him into a flummoxed silence, women like him much better than they like that smug, patronising, *bald* Mr Hague. Yet even so, women are less likely than men to express satisfaction with the government, and have been slower than men to forgive the government after last September's fuel crisis, when Labour's poll ratings plunged briefly lower than the Tories'.

What has the government done wrong? It has wooed women assiduously. By discriminating in favour of female candidates before the 1997 election, New Labour got a record 101 women into Parliament. That gave rise to a famous photograph—now derided as patronising—of Mr Blair with his "babes". Several women got big jobs: Harriet Harman was made secretary of state for social security, over the head of Frank Field, the MP who had done most in opposition to "think the unthinkable" about welfare reform. Margaret Beckett became president of the Board of Trade. There was even talk, before the last election, of a ministry for women.

The argument for more women politicians was not just that female voters liked seeing their pretty faces, but also that they would develop more female-friendly policies. And the government has indeed come up with some (whisper it) feminist policies on childcare and employment. But much of this has been down to the only recently married, still-childless chancellor, Gordon Brown; while over other sorts of "women's issues" the government has got its knickers in a twist.

Both main parties suspect that one way into women's disproportionately conservative hearts is to go on about the traditional family. In one of several neurotic memos leaked last year, Mr Blair moaned about how unfair it was that he of all people was seen as "out of touch" with "gut British instincts" on several issues, including the family. He demanded robust policy initiatives with which he could be "personally associated". But since families nowadays come in all shapes and sizes, and it is not cool to be "judgmental", this has not been so easy.

Whereas the Conservatives have chosen to make the case for traditional marriage, and to reflect their preference by restoring the married-couple's tax allowance, Labour ministers have fallen out over whether it is right even to endorse marriage in principle. The first draft of a forthcoming white paper on the family, drawn up by Paul Boateng at the Home Office, dared to venture the opinion that children brought up by married couples were more likely to have stable childhoods. This assertion attracted the scorn of a trio of female ministers—Lady Jay, Margaret Hodge and Tessa Jowell—who argued that it would offend single, co-habiting or divorced people who were also capable of being perfect parents. Righteous praise of traditional family structures might anyway sound a discordant note from a cabinet in which about one minister in three has been divorced or co-habits, and which contains two openly gay members. The contentious white paper now awaits Mr Blair's casting vote.

Nor has the increased number of MPs led to the political power that some had hoped. That women's ministry, for one thing, never came into being: all that emerged was a "women's unit" which has attracted as much mockery as respect, especially after convening a summit on "body image", and now seems to be fading away altogether. As for those high-profile cabinet ministers, Ms Harman was sacked in Mr Blair's first reshuffle and Mrs Beckett was demoted.

If Mr Blair does win a second term, he is likely to have fewer babes to pose with. But, as his first term has shown, having a representative parliamentary cadre does not, in itself, solve anything. It has not helped Labour resolve the contradictions between women's traditional, and modern, roles. The MPs have attracted most public attention for their strong views about baby-changing facilities at the House of Commons (for) and the long hours MPs work (against). These preoccupations may have suggested to voters that female MPs are just as self-serving and remote as the male of the species is widely held to be. The gap between politicians and ordinary people may be even more important—and difficult—to bridge than the gender gap.

MORE ARTICLES ABOUT BRITAIN ARE AVAILABLE TO SUBSCRIBERS AT WWW.ECONOMIST.COM

It's dark up north

INVERNESS

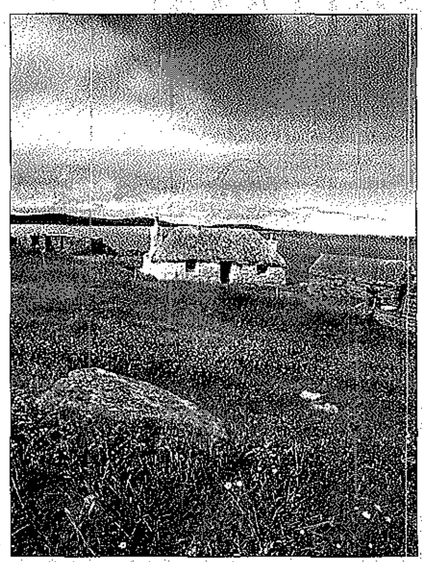
DESPERATE though the government is to be seen to be bridging the "digital divide", its appetite for using taxpayers' money to bring broadband to the Scottish Highlands seems distinctly limited. The reluctance to subsidise bringing the latest thing in telecommunications to one of the remotest and most thinly populated parts of Britain might at first seem surprising, given the region's past experience.

In 1989, the local development agency, Highlands and Islands Enterprise (HIE), gave a sceptical BT £4.9m ($7.2m) towards the cost of upgrading the region's telephone exchanges to digital standards. In addition, BT spent a lot of its own money running fibre-optic cables up and down the glens. So in 1993 it came to pass that for about £25m, the Highlands and Islands became one of the first bits of Britain to have a telephone system capable of providing a state-of-the-art ISDN (integrated systems digital network) service.

Ken MacTaggart, HIE's head of telecommunications, says that there are about 3,300 jobs in the region, ranging from call-centre work to new Internet businesses, which could not exist without modern communications. He expects there will be 5,000 such jobs by 2005. Enthused by this rather low-cost job creation, HIE has gone on to give £4m of mainly EU money to Vodafone and Cellnet to provide 95% of Highlanders access to mobile telephony. Thus, a telecoms company, has been given £3m to wire the scattered campuses of the new University of the Highlands and Islands.

However, for BT the results have been more mixed. Most of the dark fibre it so expensively laid remains stubbornly unlit and unused. BT won't say exactly how much of its Highland fibre is dark, claiming it is a commercial secret. But there is evidently enough of it for Wendy Alexander, the Scottish enterprise minister, to use it as an argument to counter those who think that the government should now subsidise bringing broadband technology to the Highlands. If the fibre remains unlit it will be like one of those roads that politicians build to service factories that never materialise.

The problem with broadband is that nobody yet even knows how it will be provided in such sparsely populated areas where cable does not penetrate and exchanges are too far from customers for DSL to operate. Satellite or fixed wireless links are possible, but the technologies and the economics are untried. Ms Alexander thinks that rather than subsidise the supply of broadband, it would be better to identify the likely demand for it. In a small town, one of the biggest initial users of broadband will be the public sector—schools, hospitals and local councils. Ms Alexander reckons that telling telecoms firms what the Scottish government plans to spend over the next three years will make it easier for them to reach investment decisions. It is a sensible approach, but Highlanders waiting for the delights of video-on-demand and high-speed Internet access should not hold their breath.



Hi–tech des res

detest it, and stubbornly refuse to co-operate with rivals.

BT has learnt from the delaying tactics that have been skilfully deployed by America's Baby Bells. Even now, fewer than 2% of American access lines have been unbundled, and several would-be broadband service providers have gone bust. Rivals accuse BT of offering up an unattractive mix of exchanges for co-location, and also of exaggerating the difficulties of getting the equipment in. Currently, 700 exchanges are being surveyed for co-location, but Mr Maine of Kingston Communications says that the ones that have been chosen do not create a large enough number of potential customers in any one area to make it economically viable to offer a service.

According to Richard Feasey, who is in charge of regulatory affairs at the British arm of WorldCom, another operator that recently withdrew from LLU trials, whereas BT's engineers may want to do a good job in making LLU work, business strategy is set by the firm's dominant retail operation. The retail division brings in the money and has the loudest voice in the boardroom—and it has every interest in delaying the arrival of unbundled DSL, which it believes will allow competitors to undermine its highly profitable business of leasing dedicated lines to businesses. Mr Feasey does not blame Oftel. "No regulator", he says, "can adequately restrain the commercial imperatives of a vertically integrated incumbent."

Others take a more hostile view of both Oftel under its current director, David Edmonds, and BT. Mr Maine accuses BT not only of stopping third parties—such as himself—from offering broadband, but also of denying the country the benefits of the technology by doing so little itself. He is at a loss to explain what he sees as the "laid-back" attitude of both the regulator and the government. A director of a firm that is using DSL as a platform for video-on-demand says that BT has never approached DSL in the right way. "They are quite visionless. Other businesses want to work with us. With BT, what comes back is a lumpen sullenness." Others claim that the timidity of the regulator in dealing with "anti-competitive practices that are endemic within BT" is to blame.

A common complaint is that Mr Edmonds refuses to use the extensive powers Oftel has under the Competition Act. They allege that he worries about BT's threats to resort to judicial review and is prepared to prosecute under the Competition Act only if his legal advisers believe that there is at least a 70% chance of success—a very high bar for any test case to overcome.

Ms Hewitt blames other people. The problems, she told a parliamentary committee, have arisen "because the last administration and the previous head of Oftel [Don Cruickshank, now chairman of the London Stock Exchange] were not interested in local loop unbundling." She professes complete faith in Oftel's current director, pointing to a more aggressive stance in recent months and progress by BT in readying more of its exchanges for co-location. If firms such as WorldCom, Kingston and Thus no longer want to proceed with co-location, that is their commercial decision—they can always change their mind later on. That is a fair point. Kingston hopes to re-enter the residential broadband market next year, perhaps by pooling resources with Energis—although how that squares with the government's professed determination for Britain to have the world's most competitive broadband market within just four years is not entirely clear.

The irony is that BT itself has proposed a possible solution to the present unhappy situation. Under far-reaching plans drawn up last year to break itself into separate businesses, BT is seriously considering dividing its retail and wholesale operations, just as

The criminal crucible that is Kosovo

PRISTINA

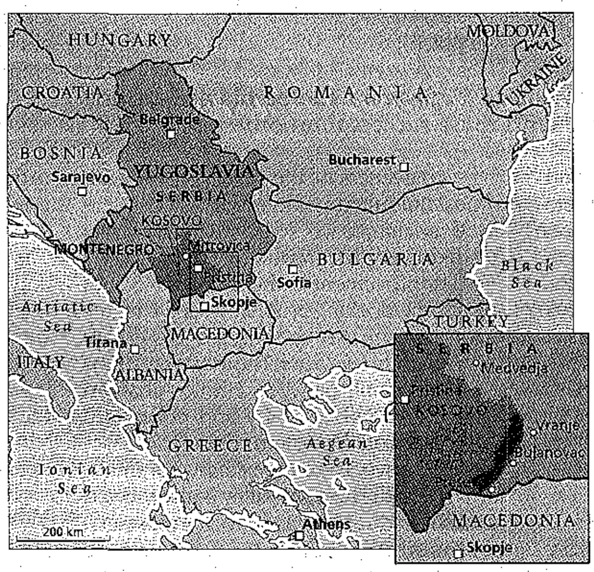
WITH his blackthorn stick, formal bearing and tough talk of "zero tolerance", Christopher Albiston is a policeman's policeman. But the UN's new police chief in Kosovo, a 48-year-old veteran of the Royal Ulster Constabulary, may soon feel that the problems of Northern Ireland are simple compared with the devil's brew he has now taken on.

With NATO and the UN running Kosovo as a virtual protectorate, there is one peacekeeping serviceman, or foreign or local police officer, for every 36 of its 1.8m people—one of the highest ratios in the world. But then Kosovo's guardians face a complex mixture of threats: an ethnic stand-off in the town of Mitrovica, a small war to Kosovo's east, and plain old-fashioned crime.

In this volatile mess, one of Mr Albiston's most urgent tasks is not just to arbitrate between ethnic Serbs and Albanians but to improve relations between his multinational police force and the French section of NATO's Kfor mission: each accuses the other of being unhelpful.

But his hardest task is simply to tackle crime. Despite Kosovo's ethnic hatreds, the criminal clans of all stripes readily co-operate in Kosovo's lively underworld. So too do the Macedonians, Montenegrins and other East Europeans who do a thriving trade in weapons, illegal immigrants, drugs, prostitutes, cigarettes, petrol and much else.

Kosovo worried the world's crime-fighters long before NATO moved in. It lies across the drug route westward from Afghanistan, Pakistan and Turkey, in an area,



between Albania, Bulgaria, Macedonia and Montenegro, where frontier controls are less than watertight. Every month four to eight tonnes of heroin are thought to pass westward through the Balkans. When Norway's police last month made their biggest-ever heroin haul, they arrested a couple of ex-guerrilla Kosovars.

These days, however, most of the drug traffic skirts round Kosovo, because NATO troops on the lookout for illegal weapons might also spot lorries filled with narcotics. What does flood through the province is a river of young women from Moldova, Romania, Bulgaria and Ukraine, lured by offers of fictitious jobs in Western Europe and then sold into sex-slavery.

After ten years of war, the Balkans are also awash with weapons, from pistols to heavy mortars. The anti-tank rocket fired at a British intelligence headquarters in London last autumn by the Real IRA may have come from Kosovo. In a society traditionally armed and with a ferocious appetite for domestic and clan violence, where the rules of the medieval blood feud often still hold good, armed crime and kidnappings are both common.

To fight all this, the UN fields 3,500-plus policemen from 40-odd countries; many bring their own intelligence agencies along. Some policemen, such as the Northern Irish, Canadians, Austrians, Scandinavians and Egyptians, are doing better than others. Mr Albiston has to make it all work. A new organised-crime intelligence unit, in which 17 of the 30 officers are British, is cited as one example of the UN's determination to get tougher; so too are draconian anti-terrorism laws now being drafted. But both the new police chief and Hans Haekkerup, the Dane who has just started running Kosovo for the UN, will have to convince the world (including the criminals) that they will not condone crime—as their predecessors were sometimes thought to do—when the criminals have political friends.

thority of the Hague court and the Yugoslav judiciary. If this proves unworkable, the authorities in Belgrade may still insist on holding at least a short trial before packing their ex-president off to the Netherlands.

As Mr Kostunica weighs the political odds, his economic advisers are pointing out some hard realities. Though Yugoslavia can live without the small amount of direct aid promised by the Americans, it cannot easily manage without help from multilateral lenders, since it urgently needs to reschedule an external debt of perhaps $12 billion. Its nominal GDP has fallen by half over the past decade, to only $10 billion. And the Yugoslav state owes another $4.5 billion to its own citizens, whose hard-currency bank accounts are frozen, and as much again in debts denominated in local dinars.

Miroljub Labus, the Yugoslav deputy prime minister, has said he believes it should be possible to negotiate some sizeable debt relief within four months, but not if the country is again isolated because of its lack of co-operation with the court at The Hague, and not if a complex divorce with Montenegro also has to be arranged.

At least there is one form of international co-operation that Mr Kostunica does enthusiastically support: working with western governments to defuse the bomb ticking away in the Presevo valley. On that score, he and his government in Belgrade have won plaudits from some unlikely quarters, including the United States, the EU and NATO, for restraint in dealing with the guerrillas who have dug into the "ground security zone", a five-kilometre (three-mile) strip on the boundary of Kosovo. Under the June 1999 agreement that ended NATO's air war, Yugoslavia may deploy nothing more than lightly armed police in this area.

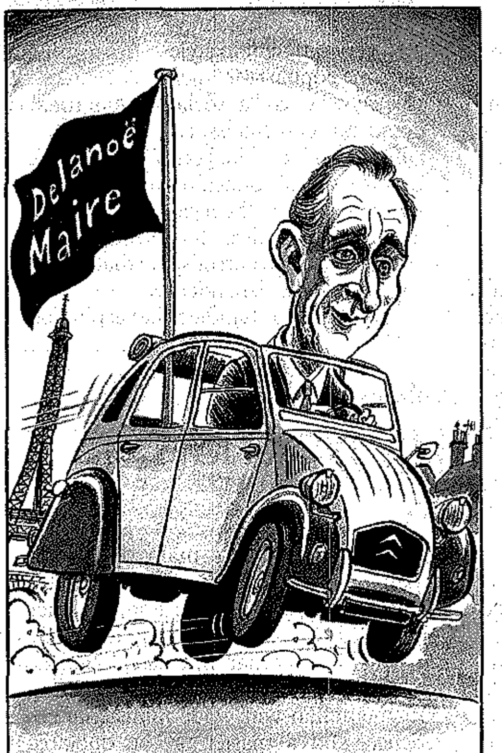
But the guerrillas, known as the Army for the Liberation of Presevo, Medvedja and Bujanovac (UCPMB) after the main towns in the strip, have taken advantage of that restraint to reinforce their positions both inside the security zone and even deeper into Serbia, close to the main road from Austria to Greece. Nebojsa Covic, a deputy prime minister of Serbia, went to NATO's headquarters this week to present a plan to "demilitarise" the region while attending to the woes of the impoverished Albanians in the affected area.

Both the governments in Belgrade and NATO are having their own lively debates about how far this unlikely friendship between Serbia and the alliance can go. But already NATO peacekeepers who patrol the eastern strip of Kosovo and Serbian troops are co-operating rather well. The NATO forces regularly nab Kosovars trying to cross the border. NATO officials are even discussing the idea of narrowing the security zone to give the Serbian forces more freedom of action. At least for Serbs, a hopeful new mood indeed.

CHARLEMAGNE

Bertrand Delanoë, a Socialist mayor for Paris?

NOT so long ago, it was a political given: Paris, "the most beautiful city in the world" (a constant, and perhaps justified, self-description), was and always would be a bastion of the French right and the Rally for the Republic (RPR), as the main Gaullist party is called. Forget the financial scandals coming to light from the 1980s and early 1990s, when politicians gave fictitious jobs to their friends and stuffed party coffers with contractors' kickbacks. That could be solved by casting the present mayor, Jean Tiberi, as scapegoat for the past and selecting Philippe Séguin, a party heavyweight (literally as well as figuratively), as candidate for the future. Come the municipal elections of March 11th and 18th, the capital's voters would once again vote conservative. After all, Mr Séguin would surely see off his Socialist opponent, Bertrand Delanoë, a 50-year-old senator for Paris so little known that some on the right tease him as "Bernard".



So much for hubris. For the past month the opinion polls have all been predicting a victory for Mr Delanoë; even the RPR's official spokesman now speaks of defeat. Take a creative reading of history (the modern mayoralty of Paris dates back only to 1977) and Paris is about to fall to the left for the first time since the revolutionary Commune of 1871. Add the strong possibility that Lyons, France's second city, will also fall to the left, and the political landscape will look increasingly grim for the right in general and for President Jacques Chirac in particular. The threat is that the momentum from the municipal elections will carry over to next spring's general and presidential elections, keeping the left in power in parliament and ensuring that Lionel Jospin, the Socialist prime minister with whom Mr Chirac is at present condemned to "cohabit", will defeat Mr Chirac for the presidency.

In which case, the right will have only itself to blame—and on several counts. One is its internecine impulse. Mr Tiberi, a founder member with Mr Chirac of the RPR, has refused to go quietly. Why should he, when he was a loyal assistant to Mr Chirac during the 18 years, from 1977 to 1995, when Mr Chirac was himself mayor of Paris? Instead, Mr Tiberi insists on running for re-election, albeit as an independent, and hints that he may reveal things Mr Chirac would prefer to keep hidden.

A second cause for blame is Mr Séguin's campaign strategy: not only does he refuse to countenance an alliance with Mr Tiberi, but he has also perversely lengthened the odds by running in a district that is a left-wing stronghold and by placing himself fourth, not first, on the RPR's list of candidates. (Paris is divided into 20 *arrondissements*, or districts, each with its own mayor and councillors; these, in turn, choose from among themselves the mayor for the capital.) Already there are mutterings that Mr Séguin is too impulsive to be trusted: witness how, in 1999, he abruptly resigned as RPR president just before the European elections.

But perhaps the most careless cause was to underestimate Mr Delanoë. As he himself wryly puts it, "They thought the big Séguin would gobble up the little Delanoë." Admittedly, it was an easy mistake to make. Although Mr Delanoë's team claim he had his eye on becoming mayor two years ago, the fact is that the Socialists' first choice was the then finance minister, Dominique Strauss-Kahn, until he was ruled out by judicial inquiries into his financial affairs. Then there was a second choice, Jack Lang, until he was suddenly drafted into Mr Jospin's cabinet as education minister.

Third choice, and therefore third best? The logic is simplistic. Go back a couple of decades and Mr Delanoë was seen as one of the Socialist Party's best and brightest: a member of parliament, the party's official spokesman, and a friend and ally of its new first secretary, Lionel Jospin. In short, the slightly-built young man from Tunis, whose parents moved the family back to France when he was 14, was an apparatchik already close to the top.

And then in the mid-1980s the career abruptly faltered: a switch in the electoral system meant he had to be "parachuted" from Paris to seek a seat in parliament for the Vaucluse, deep in rural France, and the voters said no. A disillusioned Delanoë retired from the political fray (though retaining a seat on the Paris council) to found his own public-relations and advertising agency.

So why is he back? "I chose to live in Paris. I love Paris. It's a city of freedom, culture, dynamism." Well, of course it is, but any candidate will say exactly the same, and promise voters more or less the same things: cleaner air, less dogs' mess (a Parisian nightmare), better security, affordable housing, stable taxes and so on. If Mr Delanoë scores higher for creativity, it is with ideas to bring unused private housing into public management, or to employ the legions of jobless young to guard school crossings and so free the police to fight crime, or to offer better-directed treatment programmes for drug addicts. Meanwhile, there must, surely, be a desire to embarrass the political and media establishment that had so quickly written him off, to prove he is more than just the rare French politician who declares himself a homosexual.

Doubtless there is. After all, as leader of the left in the last municipal elections, in 1995, he was proud that the left defied predictions and took six districts. Imagine the satisfaction if this time it took the majority.

But the political desire goes only so far. Mr Chirac always saw the mayor's sumptuous Hôtel de Ville as a stepping-stone to the presidential Elysée Palace. Mr Séguin's own presidential ambitions are no secret. Mr Delanoë has no such pretensions. His economics adviser, Christian Sautter (sacked as finance minister just over a year ago), says that "with Bertrand, it's Paris, Paris, Paris."

Indeed so. When Mr Delanoë, chain-smoking his cigarillos, says he has other things in his life than politics, you believe him. "I don't dream of power." You believe him, too, when he says he takes the opinion polls with a pinch of salt. You believe both him and his staff in saying that he never, ever, underestimates his opponents. And you believe, too, that this somewhat unrevolutionary *communard* has a good chance of beating them.

ests came not from the government's supporters but from the opposition's own ranks. "We must not sink any lower," declared Friedrich Merz, the ambitious leader of the Christian Democrats' parliamentary group. "There must be a change in leadership style." Whose side was he on? A few days later, in an even more direct challenge to Mrs Merkel, he suggested that, by virtue of his office, he was just as eligible as either she or Edmund Stoiber, head of the Christian Social Union, the Christian Democrats' Bavarian sister party, to run as the opposition's candidate for the chancellorship next year.

Though there is no rule in Germany that the party leader must become its candidate for chancellor, it had been widely assumed that Mrs Merkel, as leader of the biggest centre-right party, would carry the joint centre-right opposition's colours into the general election. She had certainly given every sign that she would like to. But as her star has waned, doubts about her suitability have grown. Ten months ago, opinion polls had her breathing down Mr Schröder's neck; now she trails him by some 25 percentage points. Most Germans say they like the pastor's daughter from eastern Germany as a person, but barely a fifth of them can picture her as chancellor.

Most right-wing voters now think Mr Stoiber the better bet. He still denies wanting to run for the job, but he might yet go for it if he thought he could win; at present he probably does not. No Christian Social Union leader has ever become chancellor. The late Franz Josef Strauss, who dominated Bavaria for many years, ran for the job once, in 1980; he dismally failed to get it.

So the search goes on. The technocratic Mr Merz is not yet a serious contender. Roland Koch, the tough premier of the state of Hesse, has a better chance of being chosen in the longer run. But, because of his involvement in a party-finance scandal in his own state, he will probably hold back until the general election due in 2006. Some leading Christian Democrats have even begun to talk once more about Wolfgang Schäuble, Mr Kohl's successor as party leader, who was forced to step down a year ago after being sucked into the national party's slush-fund scandal. But few people think he has a serious chance of a comeback.

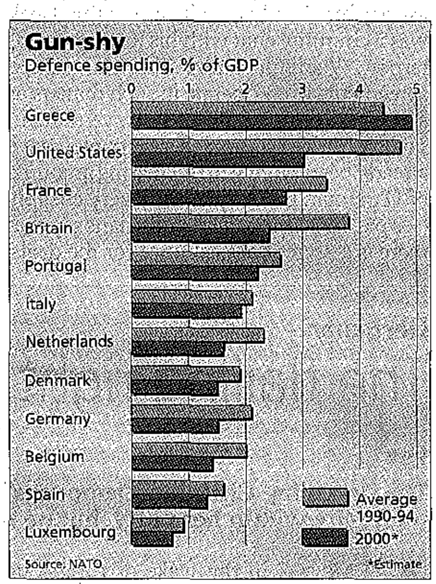
The beleaguered party at least hopes soon to put its slush-fund scandal behind it. Last week the public prosecutor persuaded Mr Kohl to agree to pay a fine of DM300,000 ($141,000) in exchange for the dropping of criminal investigations into his behaviour. A similar offer has been made to two of Mr Kohl's former aides. If the courts approve the deal, the full truth will probably never come out. The government has no say in the matter. The parliamentary committee of inquiry into the affair says it will continue its work, but it will be difficult for it to get to the bottom of the scandal. So the Christian Democrats may be unable to persuade the voters that they have really cleaned themselves up.

If the party does badly in the state elections coming up next month in Baden-Württemberg and Rhineland-Palatinate, Mrs Merkel will again take much of the rap. Some will call for her to give up her party chairmanship; her chances of running for the chancellorship will diminish still more. Her main comfort is that the alternatives on the right, for either task, still look inadequate. ■

European defence

A long march

TO BELIEVE some recent headlines, the likely first victim of the European Union's embryonic rapid-reaction force could be Europe's alliance with America, as the EU muscles in rudely on NATO's military turf. Yet, even if that were its ambition—in fact, it is volunteering only for some bits of soldiering that NATO decides not to do—the EU-led



force to be assembled by 2003 is more likely to be severely hobbled in its formative years by political and military growing pains, and by European governments' reluctance to put up the money needed to match performance to promise.

EU governments together spend about two-thirds of what more globally-committed America spends on defence, and there are some 2m EU citizens under arms. So it ought not, in theory, to be hard to meet the EU's goal of being able by 2003 to assemble up to 60,000 combat troops, deploy them within 60 days and sustain them for up to a year. But it will be harder than some defence ministers seem to think.

The troops have been found simply by giving soldiers already assigned to NATO a new EU "hat" (as happens when, say, British or French troops are assigned to UN peace-keeping duties). What they still lack—as first the Gulf war, then the crises in Bosnia and Kosovo demonstrated—is up-to-date command-and-control, the right equipment, from communications to precision weapons, and the transport aircraft and ships to get them swiftly to a trouble-spot.

Europeans have been failing to come up with these goods in NATO for years. Sticking an EU label on their plans may make Europe's governments more likely to stump up the cash, thereby benefiting NATO too. But results so far have been meagre.

Defence budgets across the EU have been plundered to meet tight spending targets for the launch of the single currency. Yet military spending will need to be sustained at a minimum of 2% of GDP a year over the next decade if the missing defence equipment is to be paid for. After years of steady cuts (see chart), eight of the 11 EU members of NATO have told the alliance this year that they plan to increase defence spending in real terms, though the extra will be small. France and Germany are not among them, though France will spend more on procurement for what by 2003 will be its newly all-professional army. Germany's defence minister seems to be hoping to find extra cash mostly from base closures, but already his sums are failing to add up.

If little extra money can be found, might existing budgets be spent more wisely? Germany, to the puzzlement of some of it own soldiers, plans to spend scarce defence euros on satellites that NATO already has. But defence budgets could be stretched a bit to afford more useful kit by eliminating duplication and pooling some existing operations: for example, air-to-air refuelling.

Literally to give themselves a lift, Britain, France, Germany and Spain are among those hoping to buy Airbus Industrie's new A400M heavy-lift transport aircraft. But these planes will not be ready by the 2003 deadline, so the EU is considering leasing Ukrainian transport aircraft, as Britain and others have done for UN-related duties.

Even those staffing the new committees in Brussels that are busy putting the EU defence effort together admit that by 2003 they will at best be ready for some very modest military duties, not the range of tasks the EU has set itself. As a pamphlet to be published shortly by the London-based Centre for European Reform argues*, whether the EU's effort evolves into something more effective over time depends on Europe's political will: to back Europe's soldiers, whether representing the EU or NATO, with the equipment they need, and to work out who—certainly not those Brussels committees—will lead such a force into harm's way. ■

*"Europe's Military Revolution" by Gilles Andréani, Christoph Bertram and Charles Grant

ests came not from the government's supporters but from the opposition's own ranks. "We must not sink any lower," declared Friedrich Merz, the ambitious leader of the Christian Democrats' parliamentary group. "There must be a change in leadership style." Whose side was he on? A few days later, in an even more direct challenge to Mrs Merkel, he suggested that, by virtue of his office, he was just as eligible as either she or Edmund Stoiber, head of the Christian Social Union, the Christian Democrats' Bavarian sister party, to run as the opposition's candidate for the chancellorship next year.

Though there is no rule in Germany that the party leader must become its candidate for chancellor, it had been widely assumed that Mrs Merkel, as leader of the biggest centre-right party, would carry the joint centre-right opposition's colours into the general election. She had certainly given every sign that she would like to. But as her star has waned, doubts about her suitability have grown. Ten months ago, opinion polls had her breathing down Mr Schröder's neck; now she trails him by some 25 percentage points. Most Germans say they like the pastor's daughter from eastern Germany as a person, but barely a fifth of them can picture her as chancellor.

Most right-wing voters now think Mr Stoiber the better bet. He still denies wanting to run for the job, but he might yet go for it if he thought he could win; at present he probably does not. No Christian Social Union leader has ever become chancellor. The late Franz Josef Strauss, who dominated Bavaria for many years, ran for the job once, in 1980; he dismally failed to get it.

So the search goes on. The technocratic Mr Merz is not yet a serious contender. Roland Koch, the tough premier of the state of Hesse, has a better chance of being chosen in the longer run. But, because of his involvement in a party-finance scandal in his own state, he will probably hold back until the general election due in 2006. Some leading Christian Democrats have even begun to talk once more about Wolfgang Schäuble, Mr Kohl's successor as party leader, who was forced to step down a year ago after being sucked into the national party's slush-fund scandal. But few people think he has a serious chance of a comeback.

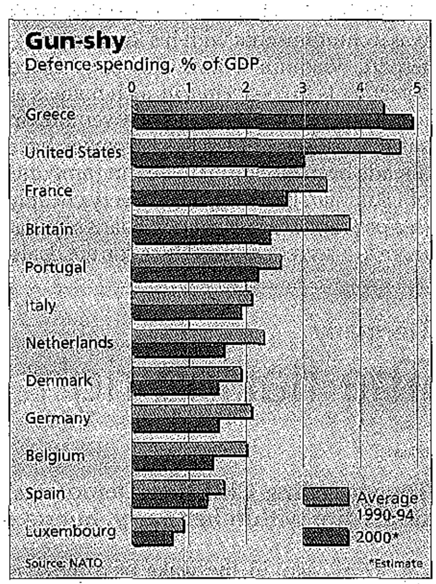
The beleaguered party at least hopes soon to put its slush-fund scandal behind it. Last week the public prosecutor persuaded Mr Kohl to agree to pay a fine of DM300,000 ($141,000) in exchange for the dropping of criminal investigations into his behaviour. A similar offer has been made to two of Mr Kohl's former aides. If the courts approve the deal, the full truth will probably never come out. The government has no say in the matter. The parliamentary committee of inquiry into the affair says it will continue its work, but it will be difficult for it to get to the bottom of the scandal. So the Christian Democrats may be unable to persuade the voters that they have really cleaned themselves up.

If the party does badly in the state elections coming up next month in Baden-Württemberg and Rhineland-Palatinate, Mrs Merkel will again take much of the rap. Some will call for her to give up her party chairmanship; her chances of running for the chancellorship will diminish still more. Her main comfort is that the alternatives on the right, for either task, still look inadequate.

European defence

A long march

TO BELIEVE some recent headlines, the likely first victim of the European Union's embryonic rapid-reaction force could be Europe's alliance with America, as the EU muscles in rudely on NATO's military turf. Yet, even if that were its ambition—in fact, it is volunteering only for some bits of soldiering that NATO decides not to do—the EU-led



force to be assembled by 2003 is more likely to be severely hobbled in its formative years by political and military growing pains, and by European governments' reluctance to put up the money needed to match performance to promise.

EU governments together spend about two-thirds of what more globally-committed America spends on defence, and there are some 2m EU citizens under arms. So it ought not, in theory, to be hard to meet the EU's goal of being able by 2003 to assemble up to 60,000 combat troops, deploy them within 60 days and sustain them for up to a year. But it will be harder than some defence ministers seem to think.

The troops have been found simply by giving soldiers already assigned to NATO a new EU "hat" (as happens when, say, British or French troops are assigned to UN peacekeeping duties). What they still lack—as first the Gulf war, then the crises in Bosnia and Kosovo demonstrated—is up-to-date command-and-control, the right equipment, from communications to precision weapons, and the transport aircraft and ships to get them swiftly to a trouble-spot.

Europeans have been failing to come up with these goods in NATO for years. Sticking an EU label on their plans may make Europe's governments more likely to stump up the cash, thereby benefiting NATO too. But results so far have been meagre.

Defence budgets across the EU have been plundered to meet tight spending targets for the launch of the single currency. Yet military spending will need to be sustained at a minimum of 2% of GDP a year over the next decade if the missing defence equipment is to be paid for. After years of steady cuts (see chart), eight of the 11 EU members of NATO have told the alliance this year that they plan to increase defence spending in real terms, though the extra will be small. France and Germany are not among them, though France will spend more on procurement for what by 2003 will be its newly all-professional army. Germany's defence minister seems to be hoping to find extra cash mostly from base closures, but already his sums are failing to add up.

If little extra money can be found, might existing budgets be spent more wisely? Germany, to the puzzlement of some of it own soldiers, plans to spend scarce defence euros on satellites that NATO already has. But defence budgets could be stretched a bit to afford more useful kit by eliminating duplication and pooling some existing operations: for example, air-to-air refuelling.

Literally to give themselves a lift, Britain, France, Germany and Spain are among those hoping to buy Airbus Industrie's new A400M heavy-lift transport aircraft. But these planes will not be ready by the 2003 deadline, so the EU is considering leasing Ukrainian transport aircraft, as Britain and others have done for UN-related duties.

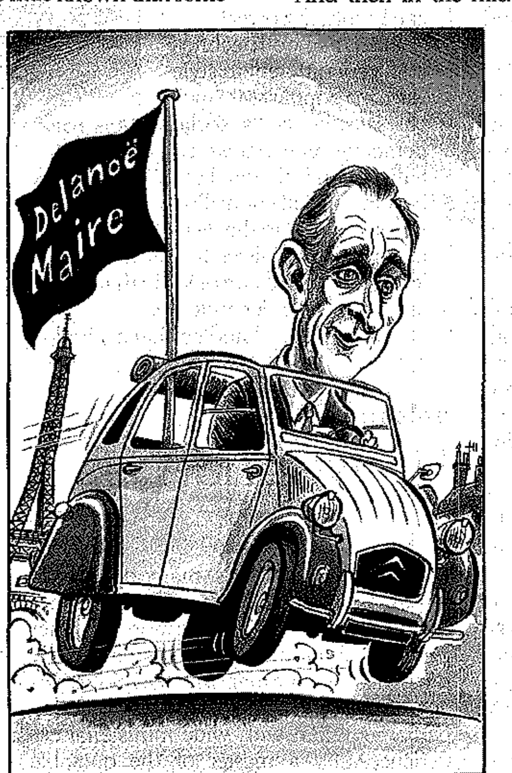
Even those staffing the new committees in Brussels that are busy putting the EU defence effort together admit that by 2003 they will at best be ready for some very modest military duties, not the range of tasks the EU has set itself. As a pamphlet to be published shortly by the London-based Centre for European Reform argues*, whether the EU's effort evolves into something more effective over time depends on Europe's political will: to back Europe's soldiers, whether representing the EU or NATO, with the equipment they need, and to work out who—certainly not those Brussels committees—will lead such a force into harm's way.

*"Europe's Military Revolution" by Gilles Andréani, Christoph Bertram and Charles Grant

Bertrand Delanoë, a Socialist mayor for Paris?

NOT so long ago, it was a political given: Paris, "the most beautiful city in the world" (a constant, and perhaps justified, self-description), was and always would be a bastion of the French right and the Rally for the Republic (RPR), as the main Gaullist party is called. Forget the financial scandals coming to light from the 1980s and early 1990s, when politicians gave fictitious jobs to their friends and stuffed party coffers with contractors' kickbacks. That could be solved by casting the present mayor, Jean Tiberi, as scapegoat for the past and selecting Philippe Séguin, a party heavyweight (literally as well as figuratively), as candidate for the future. Come the municipal elections of March 11th and 18th, the capital's voters would once again vote conservative. After all, Mr Séguin would surely see off his Socialist opponent, Bertrand Delanoë, a 50-year-old senator for Paris so little known that some on the right tease him as "Bernard".

So much for hubris. For the past month the opinion polls have all been predicting a victory for Mr Delanoë; even the RPR's official spokesman now speaks of defeat. Take a creative reading of history (the modern mayoralty of Paris dates back only to 1977) and Paris is about to fall to the left for the first time since the revolutionary Commune of 1871. Add the strong possibility that Lyons, France's second city, will also fall to the left, and the political landscape will look increasingly grim for the right in general and for President Jacques Chirac in particular. The threat is that the momentum from the municipal elections will carry over to next spring's general and presidential elections, keeping the left in power in parliament and ensuring that Lionel Jospin, the Socialist prime minister with whom Mr Chirac is at present condemned to "cohabit", will defeat Mr Chirac for the presidency.



In which case, the right will have only itself to blame—and on several counts. One is its internecine impulse. Mr Tiberi, a founder member with Mr Chirac of the RPR, has refused to go quietly. Why should he, when he was a loyal assistant to Mr Chirac during the 18 years, from 1977 to 1995, when Mr Chirac was himself mayor of Paris? Instead, Mr Tiberi insists on running for re-election, albeit as an independent, and hints that he may reveal things Mr Chirac would prefer to keep hidden.

A second cause for blame is Mr Séguin's campaign strategy: not only does he refuse to countenance an alliance with Mr Tiberi, but he has also perversely lengthened the odds by running in a district that is a left-wing stronghold and by placing himself fourth, not first, on the RPR's list of candidates. (Paris is divided into 20 *arrondissements*, or districts, each with its own mayor and councillors; these, in turn, choose from among themselves the mayor for the capital.) Already there are mutterings that Mr Séguin is too impulsive to be trusted: witness how, in 1999, he abruptly resigned as RPR president just before the European elections.

But perhaps the most careless cause was to underestimate Mr Delanoë. As he himself wryly puts it, "They thought the big Séguin would gobble up the little Delanoë." Admittedly, it was an easy mistake to make. Although Mr Delanoë's team claim he had his eye on becoming mayor two years ago, the fact is that the Socialists' first choice was the then finance minister, Dominique Strauss-Kahn, until he was ruled out by judicial inquiries into his financial affairs. Then there was a second choice, Jack Lang, until he was suddenly drafted into Mr Jospin's cabinet as education minister.

Third choice, and therefore third best? The logic is simplistic. Go back a couple of decades and Mr Delanoë was seen as one of the Socialist Party's best and brightest: a member of parliament, the party's official spokesman, and a friend and ally of its new first secretary, Lionel Jospin. In short, the slightly-built young man from Tunis, whose parents moved the family back to France when he was 14, was an apparatchik already close to the top.

And then in the mid-1980s the career abruptly faltered: a switch in the electoral system meant he had to be "parachuted" from Paris to seek a seat in parliament for the Vaucluse, deep in rural France, and the voters said no. A disillusioned Delanoë retired from the political fray (though retaining a seat on the Paris council) to found his own public-relations and advertising agency.

So why is he back? "I chose to live in Paris. I love Paris. It's a city of freedom, culture, dynamism." Well, of course it is, but any candidate will say exactly the same, and promise voters more or less the same things: cleaner air, less dogs' mess (a Parisian nightmare), better security, affordable housing, stable taxes and so on. If Mr Delanoë scores higher for creativity, it is with ideas to bring unused private housing into public management, or to employ the legions of jobless young to guard school crossings and so free the police to fight crime, or to offer better-directed treatment programmes for drug addicts. Meanwhile, there must, surely, be a desire to embarrass the political and media establishment that had so quickly written him off, to prove he is more than just the rare French politician who declares himself a homosexual.

Doubtless there is. After all, as leader of the left in the last municipal elections, in 1995, he was proud that the left defied predictions and took six districts. Imagine the satisfaction if this time it took the majority.

But the political desire goes only so far. Mr Chirac always saw the mayor's sumptuous Hôtel de Ville as a stepping-stone to the presidential Elysée Palace. Mr Séguin's own presidential ambitions are no secret. Mr Delanoë has no such pretensions. His economics adviser, Christian Sautter (sacked as finance minister just over a year ago), says that "with Bertrand, it's Paris, Paris, Paris."

Indeed so. When Mr Delanoë, chain-smoking his cigarillos, says he has other things in his life than politics, you believe him. "I don't dream of power." You believe him, too, when he says he takes the opinion polls with a pinch of salt. You believe both him and his staff in saying that he never, ever, underestimates his opponents. And you believe, too, that this somewhat unrevolutionary *communard* has a good chance of beating them.

The criminal crucible that is Kosovo

PRISTINA

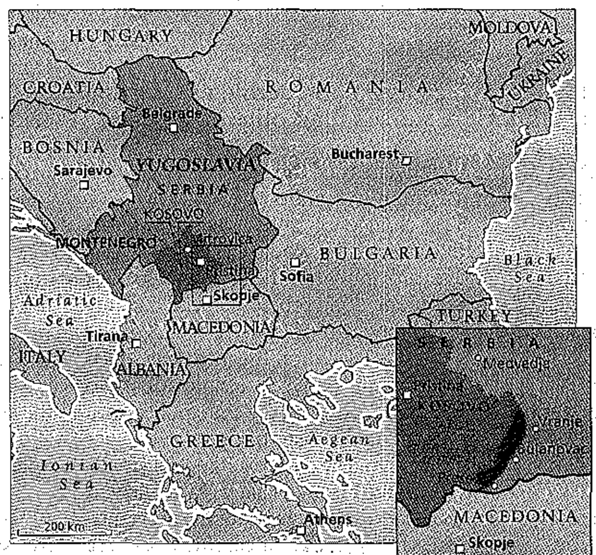
WITH his blackthorn stick, formal bearing and tough talk of "zero tolerance", Christopher Albiston is a policeman's policeman. But the UN's new police chief in Kosovo, a 48-year-old veteran of the Royal Ulster Constabulary, may soon feel that the problems of Northern Ireland are simple compared with the devil's brew he has now taken on.

With NATO and the UN running Kosovo as a virtual protectorate, there is one peacekeeping serviceman, or foreign or local police officer, for every 36 of its 1.8m people—one of the highest ratios in the world. But then Kosovo's guardians face a complex mixture of threats: an ethnic stand-off in the town of Mitrovica, a small war to Kosovo's east, and plain old-fashioned crime.

In this volatile mess, one of Mr Albiston's most urgent tasks is not just to arbitrate between ethnic Serbs and Albanians but to improve relations between his multinational police force and the French section of NATO's Kfor mission: each accuses the other of being unhelpful.

But his hardest task is simply to tackle crime. Despite Kosovo's ethnic hatreds, the criminal clans of all stripes readily co-operate in Kosovo's lively underworld. So too do the Macedonians, Montenegrins and other East Europeans who do a thriving trade in weapons, illegal immigrants, drugs, prostitutes, cigarettes, petrol and much else.

Kosovo worried the world's crime-fighters long before NATO moved in. It lies across the drug route westward from Afghanistan, Pakistan and Turkey, in an area,



between Albania, Bulgaria, Macedonia and Montenegro, where frontier controls are less than watertight. Every month four to eight tonnes of heroin are thought to pass westward through the Balkans. When Norway's police last month made their biggest-ever heroin haul, they arrested a couple of ex-guerrilla Kosovars.

These days, however, most of the drug traffic skirts round Kosovo, because NATO troops on the lookout for illegal weapons might also spot lorries filled with narcotics. What does flood through the province is a river of young women from Moldova, Romania, Bulgaria and Ukraine, lured by offers of fictitious jobs in Western Europe and then sold into sex-slavery.

After ten years of war, the Balkans are also awash with weapons, from pistols to heavy mortars. The anti-tank rocket fired at a British intelligence headquarters in London last autumn by the Real IRA may have come from Kosovo. In a society traditionally armed and with a ferocious appetite for domestic and clan violence, where the rules of the medieval blood feud often still hold good, armed crime and kidnappings are both common.

To fight all this, the UN fields 3,500-plus policemen from 40-odd countries; many bring their own intelligence agencies along. Some policemen, such as the Northern Irish, Canadians, Austrians, Scandinavians and Egyptians, are doing better than others. Mr Albiston has to make it all work. A new organised-crime intelligence unit, in which 17 of the 30 officers are British, is cited as one example of the UN's determination to get tougher; so too are draconian anti-terrorism laws now being drafted. But both the new police chief and Hans Haekkerup, the Dane who has just started running Kosovo for the UN, will have to convince the world (including the criminals) that they will not condone crime—as their predecessors were sometimes thought to do—when the criminals have political friends.

thority of the Hague court and the Yugoslav judiciary. If this proves unworkable, the authorities in Belgrade may still insist on holding at least a short trial before packing their ex-president off to the Netherlands.

As Mr Kostunica weighs the political odds, his economic advisers are pointing out some hard realities. Though Yugoslavia can live without the small amount of direct aid promised by the Americans, it cannot easily manage without help from multilateral lenders, since it urgently needs to reschedule an external debt of perhaps $12 billion. Its nominal GDP has fallen by half over the past decade, to only $10 billion. And the Yugoslav state owes another $4.5 billion to its own citizens, whose hard-currency bank accounts are frozen, and as much again in debts denominated in local dinars.

Miroljub Labus, the Yugoslav deputy prime minister, has said he believes it should be possible to negotiate some sizeable debt relief within four months, but not if the country is again isolated because of its lack of co-operation with the court at The Hague, and not if a complex divorce with Montenegro also has to be arranged.

At least there is one form of international co-operation that Mr Kostunica does enthusiastically support: working with western governments to defuse the bomb ticking away in the Presevo valley. On that score, he and his government in Belgrade have won plaudits from some unlikely quarters, including the United States, the EU and NATO, for restraint in dealing with the guerrillas who have dug into the "ground security zone", a five-kilometre (three-mile) strip on the boundary of Kosovo. Under the June 1999 agreement that ended NATO's air war, Yugoslavia may deploy nothing more than lightly armed police in this area.

But the guerrillas, known as the Army for the Liberation of Presevo, Medvedja and Bujanovac (UCPMB) after the main towns in the strip, have taken advantage of that restraint to reinforce their positions both inside the security zone and even deeper into Serbia, close to the main road from Austria to Greece. Nebojsa Covic, a deputy prime minister of Serbia, went to NATO's headquarters this week to present a plan to "demilitarise" the region while attending to the woes of the impoverished Albanians in the affected area.

Both the governments in Belgrade and NATO are having their own lively debates about how far this unlikely friendship between Serbia and the alliance can go. But already NATO peacekeepers who patrol the eastern strip of Kosovo and Serbian troops are co-operating rather well. The NATO forces regularly nab Kosovars trying to cross the border. NATO officials are even discussing the idea of narrowing the security zone to give the Serbian forces more freedom of action. At least for Serbs, a hopeful new mood indeed.

It's dark up north

INVERNESS

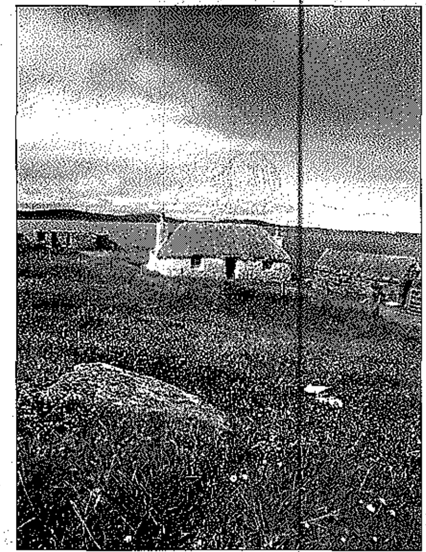
DESPERATE though the government is to be seen to be bridging the "digital divide", its appetite for using taxpayers' money to bring broadband to the Scottish Highlands seems distinctly limited. The reluctance to subsidise bringing the latest thing in telecommunications to one of the remotest and most thinly populated parts of Britain might at first seem surprising, given the region's past experience.

In 1989, the local development agency, Highlands and Islands Enterprise (HIE), gave a sceptical BT £4.9m ($7.2m) towards the cost of upgrading the region's telephone exchanges to digital standards. In addition, BT spent a lot of its own money running fibre-optic cables up and down the glens. So in 1993 it came to pass that for about £25m, the Highlands and Islands became one of the first bits of Britain to have a telephone system capable of providing a state-of-the-art ISDN (integrated systems digital network) service.

Ken MacTaggart, HIE's head of telecommunications, says that there are about 3,300 jobs in the region, ranging from call-centre work to new Internet businesses, which could not exist without modern communications. He expects there will be 5,000 such jobs by 2005. Enthused by this rather low-cost job creation, HIE has gone on to give £4m of mainly EU money to Vodafone and Cellnet to provide 95% of Highlanders access to mobile telephony. Thus, a telecoms company, has been given £3m to wire the scattered campuses of the new University of the Highlands and Islands.

However, for BT the results have been more mixed. Most of the dark fibre it so expensively laid remains stubbornly unlit and unused. BT won't say exactly how much of its Highland fibre is dark, claiming it is a commercial secret. But there is evidently enough of it for Wendy Alexander, the Scottish enterprise minister, to use it as an argument to counter those who think that the government should now subsidise bringing broadband technology to the Highlands. If the fibre remains unlit it will be like one of those roads that politicians build to service factories that never materialise.

The problem with broadband is that nobody yet even knows how it will be provided in such sparsely populated areas where cable does not penetrate and exchanges are too far from customers for DSL to operate. Satellite or fixed wireless links are possible, but the technologies and the economics are untried. Ms Alexander thinks that rather than subsidise the supply of broadband, it would be better to identify the likely demand for it. In a small town, one of the biggest initial users of broadband will be the public sector—schools, hospitals and local councils. Ms Alexander reckons that telling telecoms firms what the Scottish government plans to spend over the next three years will make it easier for them to reach investment decisions. It is a sensible approach, but Highlanders waiting for the delights of video-on-demand and high-speed Internet access should not hold their breath.



Hi-tech des res

detest it, and stubbornly refuse to co-operate with rivals.

BT has learnt from the delaying tactics that have been skilfully deployed by America's Baby Bells. Even now, fewer than 2% of American access lines have been unbundled, and several would-be broadband service providers have gone bust. Rivals accuse BT of offering up an unattractive mix of exchanges for co-location, and also of exaggerating the difficulties of getting the equipment in. Currently, 700 exchanges are being surveyed for co-location, but Mr Maine of Kingston Communications says that the ones that have been chosen do not create a large enough number of potential customers in any one area to make it economically viable to offer a service.

According to Richard Feasey, who is in charge of regulatory affairs at the British arm of WorldCom, another operator that recently withdrew from LLU trials, whereas BT's engineers may want to do a good job in making LLU work, business strategy is set by the firm's dominant retail operation. The retail division brings in the money and has the loudest voice in the boardroom—and it has every interest in delaying the arrival of unbundled DSL, which it believes will allow competitors to undermine its highly profitable business of leasing dedicated lines to businesses. Mr Feasey does not blame Oftel. "No regulator", he says, "can adequately restrain the commercial imperatives of a vertically integrated incumbent."

Others take a more hostile view of both Oftel under its current director, David Edmonds, and BT. Mr Maine accuses BT not only of stopping third parties—such as himself—from offering broadband, but also of denying the country the benefits of the technology by doing so little itself. He is at a loss to explain what he sees as the "laid-back" attitude of both the regulator and the government. A director of a firm that is using DSL as a platform for video-on-demand says that BT has never approached DSL in the right way. "They are quite visionless. Other businesses want to work with us. With BT, what comes back is a lumpen sullenness." Others claim that the timidity of the regulator in dealing with "anti-competitive practices that are endemic within BT" is to blame.

A common complaint is that Mr Edmonds refuses to use the extensive powers Oftel has under the Competition Act. They allege that he worries about BT's threats to resort to judicial review and is prepared to prosecute under the Competition Act only if his legal advisers believe that there is at least a 70% chance of success—a very high bar for any test case to overcome.

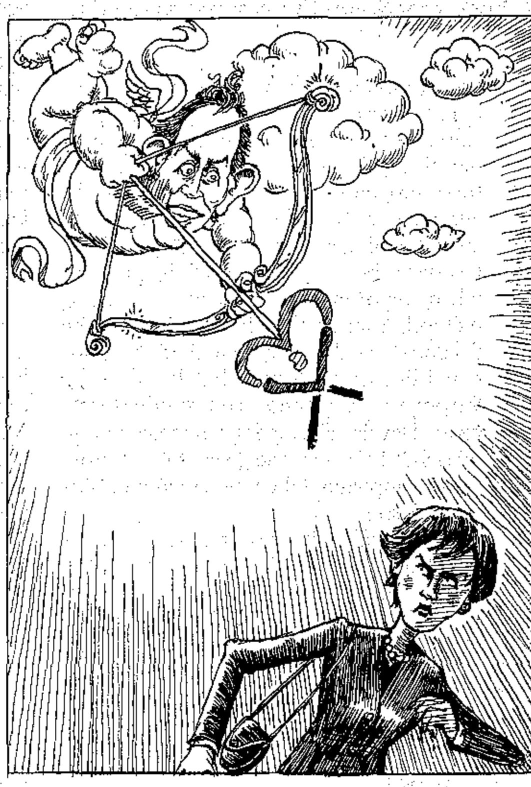
Ms Hewitt blames other people. The problems, she told a parliamentary committee, have arisen "because the last administration and the previous head of Oftel [Don Cruikshank, now chairman of the London Stock Exchange] were not interested in local loop unbundling." She professes complete faith in Oftel's current director, pointing to a more aggressive stance in recent months and progress by BT in readying more of its exchanges for co-location. If firms such as WorldCom, Kingston and Thus no longer want to proceed with co-location, that is their commercial decision—they can always change their mind later on. That is a fair point. Kingston hopes to re-enter the residential broadband market next year, perhaps by pooling resources with Energis—although how that squares with the government's professed determination for Britain to have the world's most competitive broadband market within just four years is not entirely clear.

The irony is that BT itself has proposed a possible solution to the present unhappy situation. Under far-reaching plans drawn up last year to break itself into separate businesses, BT is seriously considering dividing its retail and wholesale operations, just as

What women want

"LA DONNA è mobile," wails that duke in "Rigoletto"; and women are especially fickle when it comes to voting. Opinion polls consistently find them more likely than men to declare themselves "undecided" about which party they intend to support in the coming election. On the other hand, once they have made up their minds, women are more willing than men to do something about it. For two decades now, British women have been likelier than men to cast their votes; in the general election of 1997, 3% more women voted than men—a turn-out gap of almost 2m votes. Which leads the Fawcett Society, an organisation that champions sexual equality, to declare happily, "women's votes will decide the outcome of the next election."

Whereas American women have tended to support the Democrats, British women, especially older women, are more Conservative. Why is a bit of a mystery, since the Labour Party has always espoused enthusiastically the sorts of issues—health, education—that women say they care about. It may be that women have tended to shy away from Labour because it came out of the only environment more misogynistic than the Tories' gentlemen's clubs—the trade union movement. Certainly, as the links between the Labour Party and the unions have weakened, so the gender gap has narrowed. It was huge in the 1950s, at about 17 points. It narrowed in the 1980s; widened again in 1992; and, in 1997, shrank to a couple of percentage points.



Surely, with its caring, sharing policies, New Labour should be able to reverse the gender gap? After all, the ladies do love Tony Blair. Notwithstanding the humiliation the Women's Institute inflicted on him last year, when its members booed him into a flummoxed silence, women like him much better than they like that smug, patronising, *bald* Mr Hague. Yet even so, women are less likely than men to express satisfaction with the government, and have been slower than men to forgive the government after last September's fuel crisis, when Labour's poll ratings plunged briefly lower than the Tories'.

What has the government done wrong? It has wooed women assiduously. By discriminating in favour of female candidates before the 1997 election, New Labour got a record 101 women into Parliament. That gave rise to a famous photograph—now derided as patronising—of Mr Blair with his "babes". Several women got big jobs: Harriet Harman was made secretary of state for social security, over the head of Frank Field, the MP who had done most in opposition to "think the unthinkable" about welfare reform. Margaret Beckett became president of the Board of Trade. There was even talk, before the last election, of a ministry for women.

The argument for more women politicians was not just that female voters liked seeing their pretty faces, but also that they would develop more female-friendly policies. And the government has indeed come up with some (whisper it) feminist policies on child-care and employment. But much of this has been down to the only recently married, still-childless chancellor, Gordon Brown; while over other sorts of "women's issues" the government has got its knickers in a twist.

Both main parties suspect that one way into women's disproportionately conservative hearts is to go on about the traditional family. In one of several neurotic memos leaked last year, Mr Blair moaned about how unfair it was that he of all people was seen as "out of touch" with "gut British instincts" on several issues, including the family. He demanded robust policy initiatives with which he could be "personally associated". But since families nowadays come in all shapes and sizes, and it is not cool to be "judgmental", this has not been so easy.

Whereas the Conservatives have chosen to make the case for traditional marriage, and to reflect their preference by restoring the married-couple's tax allowance, Labour ministers have fallen out over whether it is right even to endorse marriage in principle. The first draft of a forthcoming white paper on the family, drawn up by Paul Boateng at the Home Office, dared to venture the opinion that children brought up by married couples were more likely to have stable childhoods. This assertion attracted the scorn of a trio of female ministers—Lady Jay, Margaret Hodge and Tessa Jowell—who argued that it would offend single, co-habiting or divorced people who were also capable of being perfect parents. Righteous praise of traditional family structures might anyway sound a discordant note from a cabinet in which about one minister in three has been divorced or co-habits, and which contains two openly gay members. The contentious white paper now awaits Mr Blair's casting vote.

Nor has the increased number of MPS led to the political power that some had hoped. That women's ministry, for one thing, never came into being: all that emerged was a "women's unit" which has attracted as much mockery as respect, especially after convening a summit on "body image", and now seems to be fading away altogether. As for those high-profile cabinet ministers, Ms Harman was sacked in Mr Blair's first reshuffle and Mrs Beckett was demoted.

If Mr Blair does win a second term, he is likely to have fewer babes to pose with. But, as his first term has shown, having a representative parliamentary cadre does not, in itself, solve anything. It has not helped Labour resolve the contradictions between women's traditional, and modern, roles. The MPS have attracted most public attention for their strong views about baby-changing facilities at the House of Commons (for) and the long hours MPS work (against). These preoccupations may have suggested to voters that female MPS are just as self-serving and remote as the male of the species is widely held to be. The gap between politicians and ordinary people may be even more important—and difficult—to bridge than the gender gap.

MORE ARTICLES ABOUT BRITAIN ARE AVAILABLE TO SUBSCRIBERS AT WWW.ECONOMIST.COM

soon, to plant crops before the rains start, which is usually in May. The World Food Programme says that as many as 9m people may need aid this year in the two countries because of drought and war. Any economic recovery, in Eritrea in particular, depends on getting soldiers and refugees back into the fields. With luck, the two sides will have more important things to do than argue.

Algeria

Sour cherry

CAIRO

MUCH faith was put in the "Bouteflika effect". When Abdelaziz Bouteflika was elected Algeria's president in April 1999, many people persuaded themselves that all would be well, or at least better. His election victory may have been manufactured, his policies vague and his dependence on the army clear, but at least he promised to put Algeria's seven-year insurrection to an end.

Less than two years later, the faith has evaporated. Mr Bouteflika and the army leaders who gave him the job are locked in a power struggle. Meanwhile, massacres and ambushes continue in the countryside. On February 11th, for example, guerrillas slaughtered 27 civilians, including 13 children. As ever, there was no wholly plausible explanation for the violence, nor for the army's failure to crush those who had committed it.

The president is facing an unprecedented wave of criticism from the Algerian press, and even from the parties in the government coalition. They say that he does not consult with people, that he travels abroad too much and, most damningly, that his "civil concord" peace initiative has failed. They even say that the amnesty he championed for Islamic militants who have surrendered has fuelled an increase in violence by giving the impression that there is no need to fear punishment. According to one analyst, Mr Bouteflika "has become isolated, and there is an attempt to lumber him with more than his fair share of responsibility. It is a sign that relations between him and the army are in crisis." A recent newspaper editorial put it more bluntly. It said that the soldiers regretted having chosen Mr Bouteflika.

The dispute between the president and senior officers is more about influence than political vision. Mr Bouteflika was brought in to polish the regime's image after years of bloodshed. But, saying that he does not want to be "the cherry on the cake", the president has been trying to exercise his full constitutional powers, including the appointment of top officials. The army, long accustomed to running the country from the shadows, resents this encroachment.

The soldiers are also disappointed by Mr Bouteflika's failure to shield them from an


An odd sort of concord

unending flow of embarrassing questions from human-rights organisations. Despite inviting such groups to visit Algeria, Mr Bouteflika has not succeeded in stemming their criticism. Former officers continue to accuse the army of involvement in past massacres—prompting pressure-groups to demand interviews with the top brass.

Meanwhile, after falling for a few years, violence is on the increase again. Over 500 people have been slaughtered in the past two months. Shadowy bands of killers continue to wipe out entire families in attacks on isolated communities in western Algeria. The army's intelligence is not good, and the militants do not follow a predictable strategy. Some people, however, suspect that the killings suit the broader purposes of those in power. They show that "civil concord" is a myth—so the army must keep control.

More worrying for the generals, say diplomats, is the number of soldiers killed by the Salafist Group for Preaching and Combat, which operates in the centre of the country. Rumours speak of some 200 soldiers recently killed in efficient assaults. Unlike the throat-slitters of western Algeria, the Salafis confine their attacks to military targets. The army has recently bombarded the group's hideouts in the forest of Sidi Ali Bounab, but the results are uncertain. Indeed, the entire military situation, like most pressing questions in Algeria, is opaque.

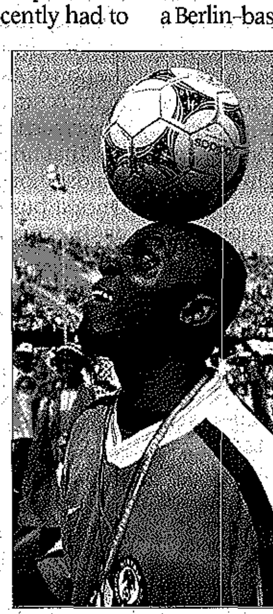
Nigeria

Bill, borrow and embezzle

ABUJA

SOUNDING only faintly embarrassed, President Olusegun Obasanjo claims that his government has no choice but to build the grand new stadium going up near the capital, Abuja. After all, it inherited the decision to hold the 2003 All-Africa Games in Nigeria from the military regime that came before it. But some spoilsports still wonder why a country that recently had to reschedule $23 billion of foreign debt is building a stadium due to cost at least 38 billion naira (around $347m at the official exchange rate). That is roughly the amount the government has budgeted for recurrent spending on education this year, and twice what it plans to spend on health.

Nigeria already has plenty of stadiums: in 1999 it held the FIFA World Youth Championships in eight international-sized grounds, including a huge one in Lagos, the country's commercial hub. But Lagos is in the south, and Abuja in the north. Mr Obasanjo explained that the stadium was being built for "political" reasons. It is a question of prestige: northern bigwigs are determined to have a stadium in their patch.


Balancing the regions

The project is just one of several issues that have made people question Mr Obasanjo's priorities. Before his election in 1999, the soldier-turned-politician was a member of the board of Transparency International, a Berlin-based group that campaigns against graft. He promised, in his inaugural speech, to wage an unceasing fight against the corruption that bedevils his country, and to assert the rule of law. Later, he set up a new anti-corruption agency.

Despite Mr Obasanjo's professed zeal, however, only one senior official—the head of the country's aviation authority—has been sacked for corruption, and not one has been jailed. Lawmakers have mocked attempts by the police to investigate MPs for corruption. Graft remains as much a part of doing business in Nigeria as ever, including, it appears, in the instigation of big-budget infrastructure projects that allow plenty of room for

Jammed gearing
Tata Group companies
Nine months ending December 2000, $m

	Revenue	Profit after tax
Tata Engineering	1,273	-81
Tata Steel	1,250	79
Tata Power	663	74
Tata Chemicals	324	68
Hotel chain	113	17
Tata Tea	151	21

Source: Company report

market by now instead of just over 10%.

Not that the Indian car market is a push-over any longer. The streets of New Delhi and Mumbai may still be graced with stately old Morris Oxfords, churned out by Hindustan Motors as the Ambassador model, but they are a period relic in a niche market. The Maruti small-car company is now the dominant force. Formed in the early 1980s as a joint venture between Suzuki of Japan and the Indian government of Indira Gandhi, it eventually captured 80% of the market, helped by government money. When Tata challenged it head-on in 1999, Maruti countered with new models and big price cuts. But the arrival on the market of both Tata and Hyundai from South Korea has pushed Maruti's share below 60%.

Nearly all the world's leading car companies now have a presence in India, rather as they have in Brazil. But, for the moment, the competition and overcapacity is such that no factory is operating at more than half capacity. Given that car factories need to be operating at four-fifths capacity to make decent profits, this is a big problem.

The car-industry mess could be further complicated by the planned privatisation of Maruti announced this week. None of the world's car companies, to which the stake to be privatised has been quietly hawked, is much interested. The outcome is likely to be that General Motors (which now owns 10% of Suzuki and drives it from the back seat) or Tata will take up the Maruti stake.

Whatever the fall-out from the privatisation, Mr Tata already has a strategy to bolster his venture into the car market. He is negotiating a deal with the French PSA Peugeot Citroën group to develop a saloon version of its little 206 hatch-back. Such a vehicle would be manufactured in Peugeot's Brazil factory for the Latin American market, and by Tata at home for its local and South-East Asia market.

The deal is interesting in two ways: first, Indians rather than Europeans will be doing the high-value engineering development work, at one-third of the European cost; second, it could lead to closer collaboration with the French group, which might even buy into Tata's car business. Peugeot's chief executive, Jean-Martin Folz, is desperate to build on his company's purely European success by selective expansion in fast-growing markets such as India.

But Mr Tata has another option should the car venture prove onerous. Tata's computer consultancy, TCS, unlike other Tata group companies, is a wholly owned subsidiary of TSL. It is India's biggest software company by far, and has become the new lifeblood of the Tata empire. Its client list features many of the top American companies with whom it does business on highly profitable terms. TCS, founded more than 30 years ago, has its own range of software products and a reputation for on-site implementation. For some time, Tata has been considering a flotation of the company. Mr Tata will not commit himself to the timing, nor will he say what percentage of the shares will be floated. But, for sure, it is coming.

Tata, with its paternalistic, charitable heritage, cannot re-shape itself as blithely as an American or European group. "How could I get out of steel when 100,000 workers and 1m people in Jamshedpur depend on us, in a very poor part of India?" asks Mr Tata. Instead, at Jamshedpur, his managers concentrate on making their steelworks world-class, while elsewhere in the group they are prepared to take audacious moves, such as that into car making.

Mr Tata is adamant that he is not going to pour away the group's software wealth in traditional industries such as car making. But he knows that the harvest to be reaped from the software investment might have to carry Tata through some lean years ahead. ■

Napster

And the band plays on

SAN FRANCISCO

THE music is still playing at Napster, the Internet service that allows its users to swap music files for free. But only just. On February 12th an appeal court partially upheld an injunction, granted last July, calling for the service to be shut down. The good news for the Recording Industry Association of America (RIAA), which had applied for the injunction on the ground that Napster was facilitating piracy, was that the appeal court rejected most of the arguments that Napster offered in its defence. But the court quibbled with the injunction in its current form, and asked for it to be slightly rewritten. So Napster's tens of millions of users, who faced the prospect of the service being unplugged, can continue to use it—for now.

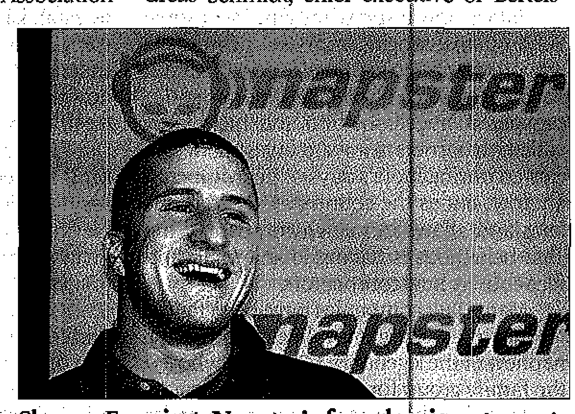
Specifically, the appeal court complained that the injunction is too broad, in that it seeks to prevent all file-swapping activity via Napster. While the court agreed with the RIAA that Napster "knowingly encourages and assists" in the exchange of copyrighted material, it noted that a small amount of legitimate material is also available on the service. The court ruled that expecting Napster to be able to distinguish between legal and pirated music, and to allow trade in the former but not the latter, was unreasonable. So the new injunction will require record companies to inform Napster of specific examples of piracy, so that they can be removed.

If Napster fails to remove pirated files, it will be in breach of the new injunction, and since removing individual files from a decentralised service like Napster is essentially impossible, this will in effect force it to shut down. Preparation of the new injunction will take days, if not weeks, however, and Napster still has a few more cards to play. In particular, it can call for another hearing in front of a panel of judges, and it can then appeal to the Supreme Court.

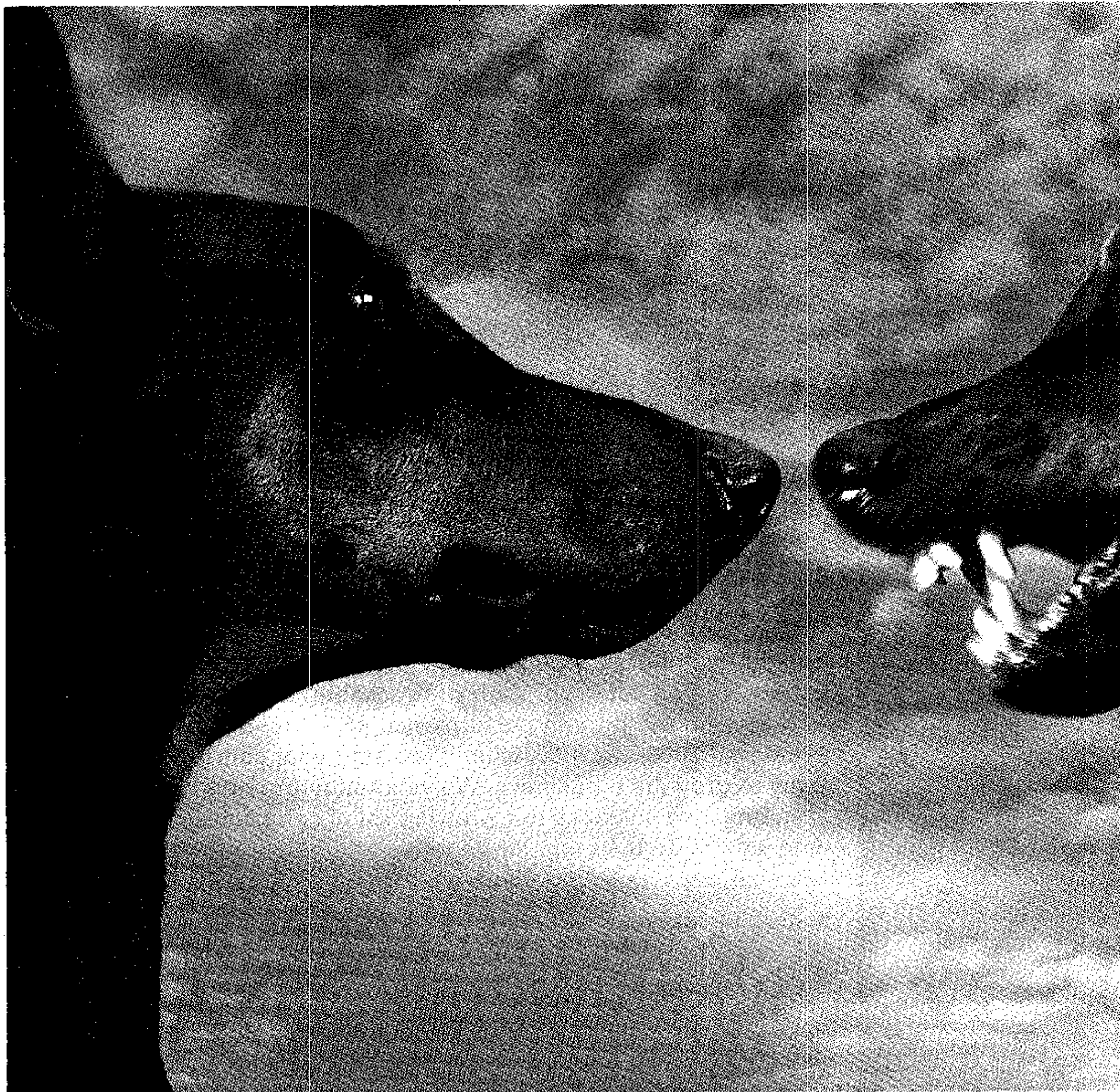
Even so, Napster's defence is in ruins. The firm's suggestions that swapping of files by its users counted as "fair use", and that such swapping was protected by a previous case relating to the use of video recorders for time shifting, were both rejected. Worse, since the court determined that Napster knew its service was being used for piracy, it could now be found guilty of vicarious infringement by its users, and face huge fines.

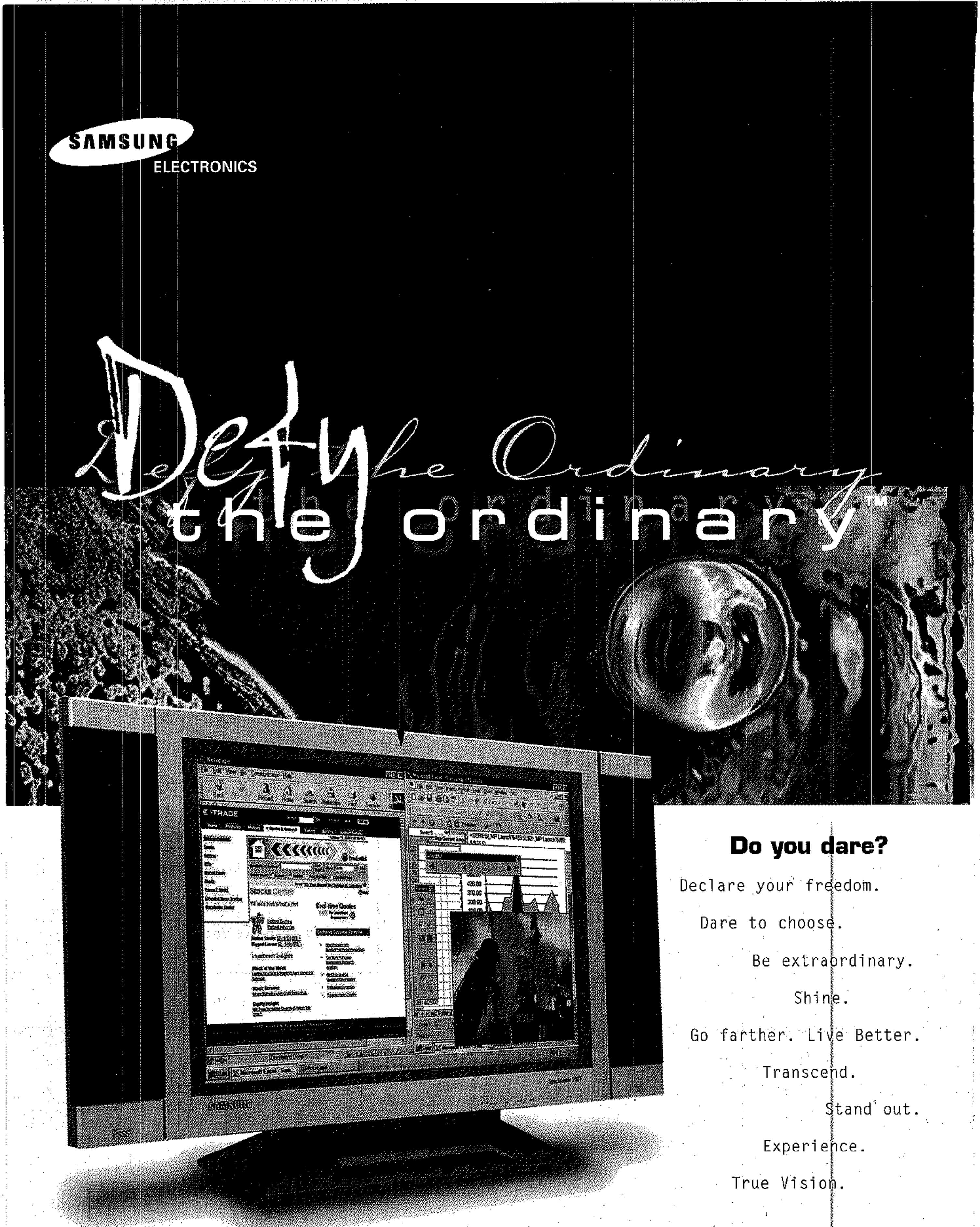
The ruling is also bad news for Bertelsmann, the parent company of BMG, a record company that switched sides and formed an alliance with Napster last October. The idea was that in return for dropping its suit, Bertelsmann would work with Napster to create a legal, subscription-based service, and would encourage other record companies to co-operate. Napster users, after all, constitute the largest community of music-lovers on earth. The service claims to have over 50m registered users, and surveys show that most of them would be prepared to pay a monthly subscription.

But despite optimistic noises from Andreas Schmidt, chief executive of Bertels-

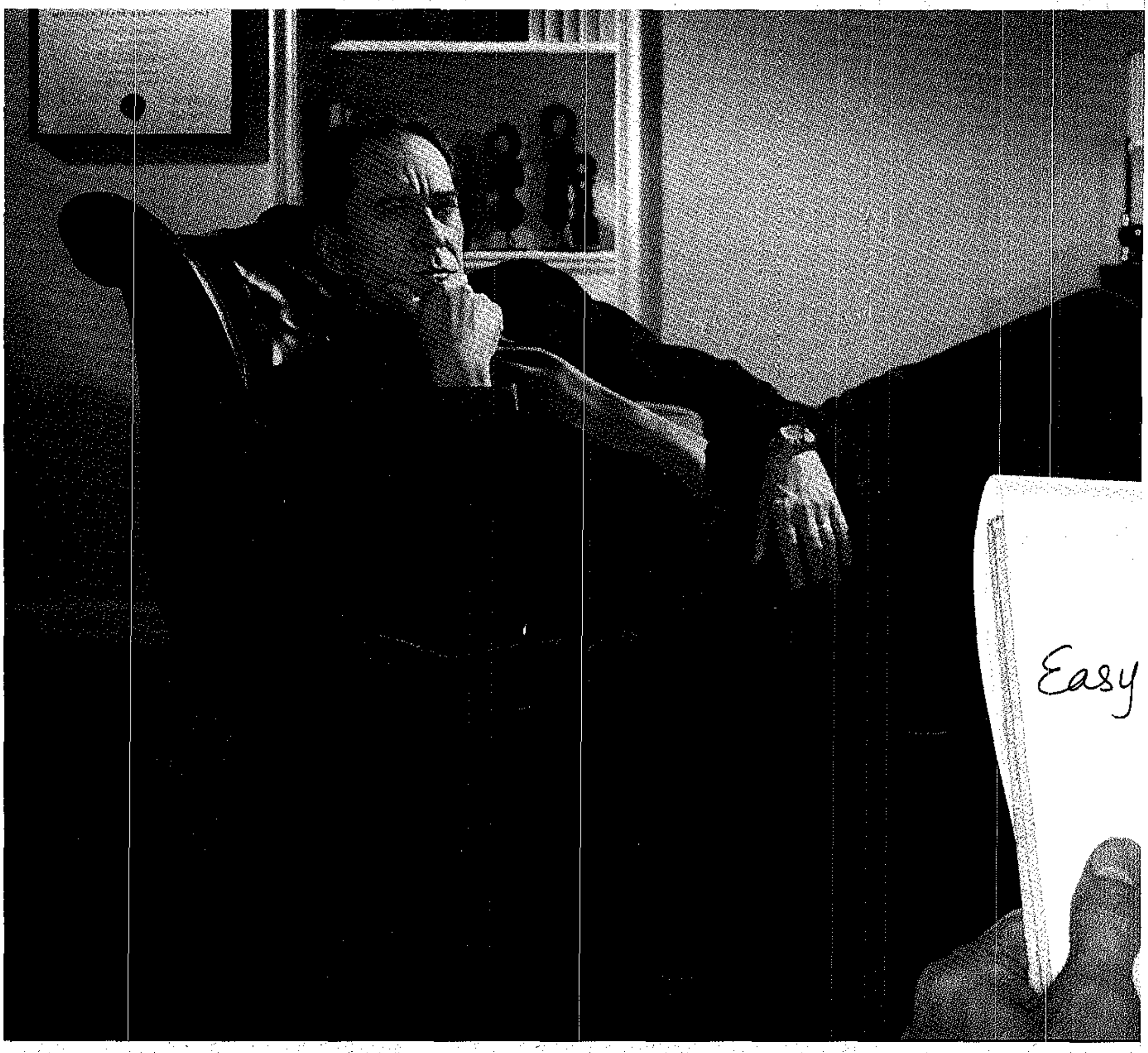


Shawn Fanning, Napster's founder, is not upset

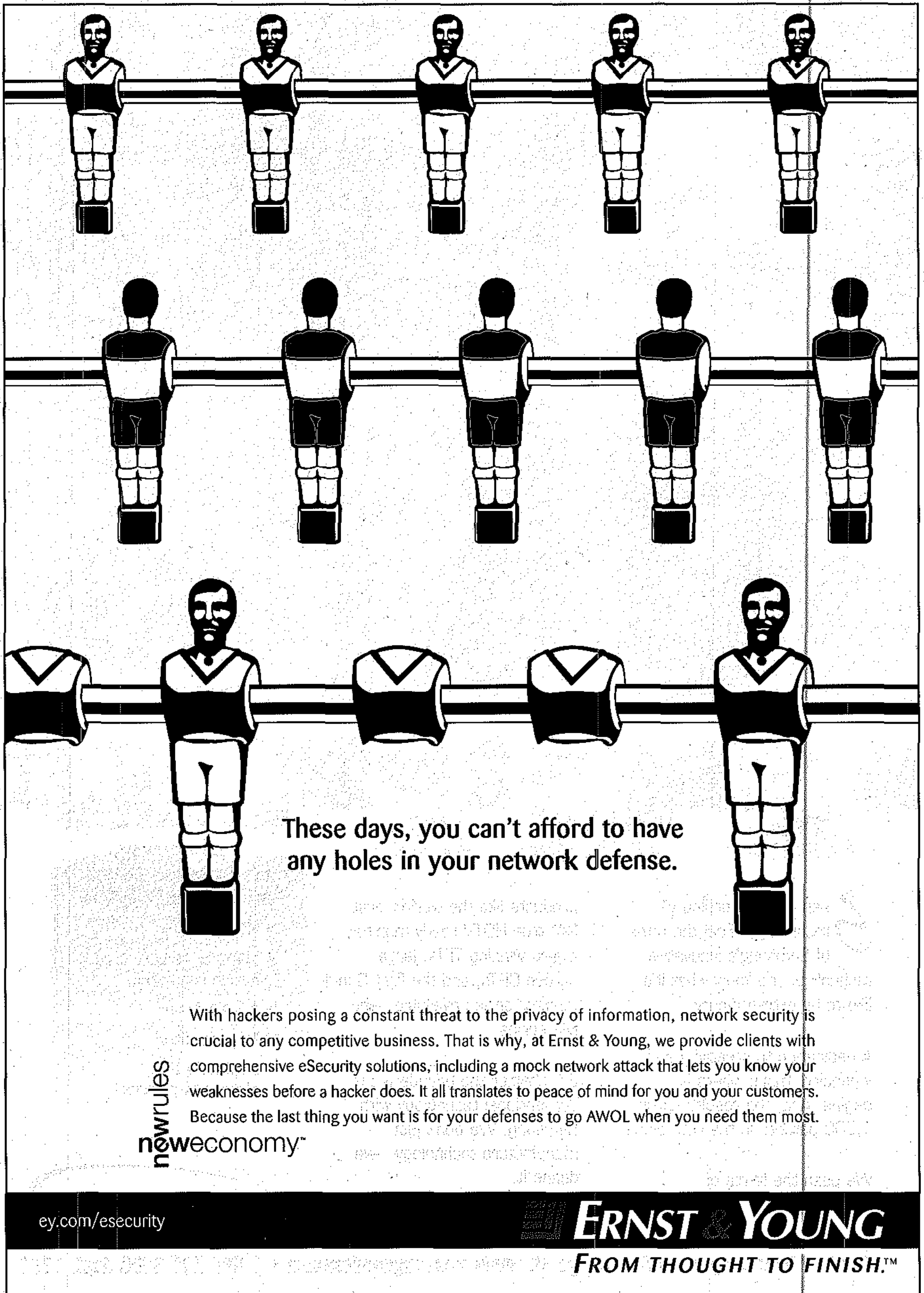



SAMSUNG
ELECTRONICS
Defy the Ordinary
the ordinary™

SOLUTIONS FROM DELL, MICROSOFT GIVING IMPOSSIBLE AN INFERIORITY



intel inside
pentium® III xeon™


These days, you can't afford to have any holes in your network defense.
With hackers posing a constant threat to the privacy of information, network security is crucial to any competitive business. That is why, at Ernst & Young, we provide clients with comprehensive eSecurity solutions, including a mock network attack that lets you know your weaknesses before a hacker does. It all translates to peace of mind for you and your customers. Because the last thing you want is for your defenses to go AWOL when you need them most.
newrules
neweconomy™
ey.com/esecurity
ERNST & YOUNG
FROM THOUGHT TO FINISH.™

Indian agriculture

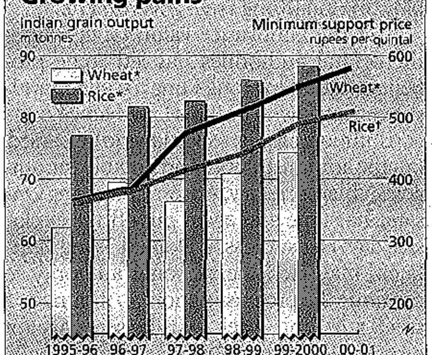
Prowling tiger, slobbering dog

LUDHIANA

Obsesssion with self-sufficiency is a bar to reform

RATS and buffaloes in Punjab, India's breadbasket, are in fine fettle. The rodents are feasting on millions of tonnes of wheat and rice stored in government warehouses (or, frequently, in the open air), the cattle on discarded potatoes. But no one else is happy. The government cannot afford the huge cost of buying and storing the grain coming from farms in Punjab and elsewhere in India, nor can the poor afford to buy it. By some measures, nearly half the population is under-nourished.

Growing pains



*Financial year ending March †Market year ending September
Sources: Centre for Monitoring Indian Economy; Food Corporation of India

Farmers, who feel themselves pinioned by high costs, low prices and the threat of imports as India opens its markets, are in a foul enough mood to scare politicians. With elections coming up before long in five states, says K. Varadharajan, general secretary of the All-India Kisan Sabha, which claims to represent 16m small farmers, rural discontent will "terribly affect" India's ruling Bharatiya Janata Party and its coalition partners.

India has come a long way since the 1960s, when it had to beg for food from foreign granaries such as the United States. Thanks to the green revolution and investment in irrigation, roads and other sorts of rural infrastructure, India can now feed itself and still have leftovers. But it has not developed a modern food industry. Value added in Indian agriculture is 15-20% of the total, compared with an additional 100% or more in some developed countries, says Karam Singh, director of the Agro Economics Research Centre at Punjab Agricultural University in Ludhiana.

India exports less than 5% of its agricultural produce. The Himalayan stocks of rice and wheat represent food that is filling neither rich western stomachs nor poor Indian ones. Like some of the cows that wander about Indian roads, farmers are protected yet apparently miserable. Important inputs like electricity and water are free, or almost so, and fertiliser is subsidised (though farmers complain that the fertiliser industry captures most of that subsidy). For wheat and rice, in some places, farmers have an assured buyer in the Food Corporation of India (FCI) at an assured price. That minimum support price has been rising, even though world prices have fallen, one reason why government storehouses are choked with unwanted grain. India's economic reforms have also helped farmers by reducing the relative price of manufactured goods, shifting the terms of trade in their favour during the 1990s.

This is not how it seems to India's angry agriculturists. Their list of woes begins with last summer's poor monsoon, which has depressed agricultural growth this year. Despite this, Mr Varadharajan claims that "prices have crashed" for a variety of commodities, including coconuts, cotton, tea and rice. Even for products with floor prices, he says, farmers are getting less than the minimum. When farmers dare to diversify away from them, the results can be catastrophic. It is they, not the state, who bore the costs of Punjab's potato glut. In Andhra Pradesh, diversification disasters have led to a series of highly publicised suicides.

Part of the distress is caused by support prices, which have raised costs for farmers growing other crops, says Abhijit Sen, an economist at Jawaharlal Nehru University who was recently head of the Commission on Agricultural Costs and Prices. Some distress reflects a deterioration in government services, such as public investment in irrigation and credit to farmers, which has slowed growth. It does not help that farms are small, and shrinking with each generation (whereas the population dependent on them is not). Many direct their ire at the World Trade Organisation, which allows rich countries to subsidise their farmers but obliges India to dismantle quotas on imports. The last of these are due go on April 1st. Mr Varadharajan wants high tariffs to replace them.

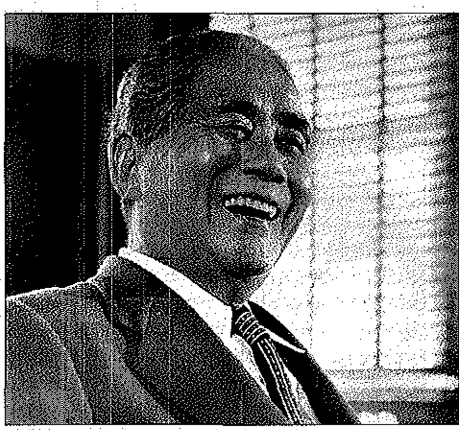
There are less-defensive approaches. Sharad Joshi, a farmer and activist from Maharashtra who recently became chairman of the government's agriculture task-force, says the farmers' movement is split between "tigers" that want to escape their cages to prowl for exciting new prey, and "dogs" that prefer the certain sustenance of the kennel.

A tigerish policy would free farmers from India's obsession with producing enough food to feed itself and bid them take their cues from markets, both domestic and foreign. Current policies, little touched by the economic liberalisation that began ten years ago, discourage this. Some examples: states may forbid the export of produce to other states; private traders are barred from stocking commodities beyond certain limits (to prevent hoarding); private investment in dairies is restricted; in Punjab, farmers may sell most major crops only through highly taxed *mandis* (markets); futures trading in most commodities is banned.

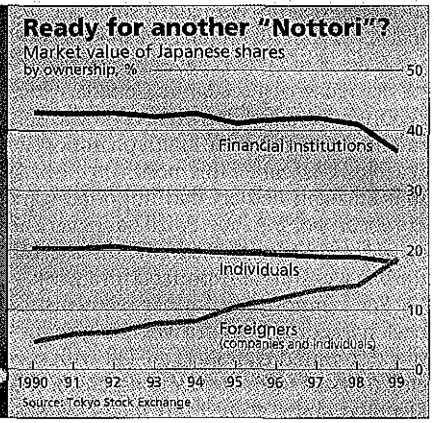
All this subtracts value from India's crops. McKinsey, a consulting firm, estimated not long ago that after middlemen and poor infrastructure had taken their toll, a fifth of the value of food output was lost. For fruit and vegetables the proportion was twice that. Regulations discourage investors from improving the way food gets from field to shop, which would make diversification less risky and raise incomes.

When Cargill, an American multinational, tried to buy wheat direct from farmers, bypassing the *mandi* system, middlemen persuaded the state government to force the company out. But the obstacles are not always insurmountable. Pepsi, an American company, has 2,000 farmers growing tomatoes and potatoes for processing in Punjab.

Mr Joshi is trying to get round the small-farm problem by promoting a new sort of company, in which farmers' land would be converted into an equity stake. But India must reform its farming industry if it is to attract big investment in food. A new policy unveiled by the government last summer suggests some of the necessary reforms, but it remains a draft. Meanwhile, farmers are getting angrier and officials are wondering how to cope with the next big deliveries of grain. The government has yet to specify a support price for the forthcoming wheat crop. The situation is "very explosive" says an official of India's Planning Commission. Everyone but the livestock is worried.



Keita "The Raider" in hostile times



ness, but they are glacially slow and the timing of their impact is unpredictable. Cross-shareholdings between banks and their corporate chums, for example, are unwinding, and many of the freed-up shares have been bought by foreign investors. Thus, when Boehringer Ingelheim, a German pharmaceuticals company, made an unsolicited bid last year for SSP, a Japanese over-the-counter drugs maker, analysts predicted that a new wave of similar bids might follow. Some even forecast the imminent arrival of an "Anglo-American" M&A (mergers and acquisitions) market, where investment banks, company bosses and investors would wrestle for control of companies.

Japan might not be quite there yet, but signs of more rapid change have emerged over the past year. Thanks to the troubles of the banks, for instance, cross-shareholdings are getting dumped on to the market faster than ever. Fuji Bank, a huge source of previously unavailable stock, is thought to have recently dumped up to 2% of Canon's equity.

Another sign of change is the work of M&A Consulting, a boutique set up by Yoshiaki Murakami, a former top bureaucrat. Mr Murakami made headlines last year with Japan's first hostile bid, for Shoei, a raw-silk maker which now makes batteries. The bid failed, so Mr Murakami set off on a different tack, this time as an activist shareholder. He is currently raising funds from Japanese and American investors to back him.

The idea, says Kenya Takizawa, one of the firm's three partners, is to take a gentler approach, buying stakes in undervalued companies, then working on their management to persuade them to change. There are pots of gold hidden everywhere, he says. Because the market is so inefficient, about one-tenth of Japan's 3,500 listed companies have break-up values of more than twice their market capitalisation. Thanks to the pervasive system of cross-shareholdings, a listed subsidiary (such as Fuji Electric) will quite often own shares in its listed parent (Fujitsu) worth more than its own market value.

M&A Consulting's medicine might be bitter for many managers, but it is a lot sweeter than some of the potential alternatives. For example, foreign asset-strippers are believed to be eyeing wobbly companies, especially in the property sector. Snow Brand, a milk company involved in a food-poisoning scandal last year, is talked about as one possible target because its share price has slipped as a result of the scandal. Using the same logic, other disgraced companies such as Bridgestone, a tyre maker, and Ajinomoto, another food company, are also potential targets. Meanwhile, there are rumours that international telecoms giants are sniffing around for bargains.

The key change in Japanese markets this time is in investors' attitudes. Individuals and foreigners, who are increasing their stakes, have always been expected to vote in their own best interests. But now Japanese institutions are increasingly joining them. Two years ago, the Pension Funds Association, a trade organisation, drew up new investment guidelines that require investment managers to vote their shares responsibly and solely in the interests of shareholders. Last month, the health and labour ministry came up with similar guidelines. Through public-pension funds, the ministry invests no small amount of money itself in the stockmarket. But the most important thing, says Nicholas Benes of Japan Transaction Partners, an M&A boutique, is the signalling effect: "People are coming to see what is the right thing to do."

Corporate governance in France

Where's the Michelin woman?

PARIS

This week's dispute over the Schneider/Legrand merger shows how far France is behind in matters of corporate governance

ON MANY issues of corporate governance, France is way behind best practice. Michelin, for example, the world's biggest tyre maker, is one of France's best-known and most international companies. Its shares are listed on the CAC index of France's 40 leading companies by market value, and it sells its products all over the world, so much so that its home market accounts for only 15-20% of its sales. So how many members of its board come from outside France? None.

In fact, Michelin barely has a board to speak of. Although its shares are listed in Paris, it remains family-controlled. And although it boasts a supervisory board, in practice it is run by an all-powerful triumvirate of so-called managing partners, two of whom are scions of the Michelin dynasty. Among the CAC40, it and Lagardère, a defence group, are examples of an odd French company structure whereby shareholders hand over power to management and retain almost no scrutiny over their decisions. The remaining 38 companies in the index have more typical limited liability structures.

Small wonder, then, that Michelin has one of the worst corporate governance records in France, perhaps in Europe. A recent study by Korn/Ferry, a headhunting firm, says that Michelin is the only member of the CAC40 that has made no progress towards meeting the standards set by the second of the two Viénot reports (published in 1999) on how to improve corporate governance. The issue is especially fraught because foreign investors own around 40% of the shares in the CAC40 and have been pushing for greater openness.

According to the Korn/Ferry study, Michelin is increasingly isolated. Of the leading 40 companies, only two others have failed to implement all of the rather limited recommendations of the first Viénot report (published in 1995). One is Cap Gemini, a consulting group that recently merged with Ernst & Young and which gets barely any scrutiny from outside directors. The other is Sodexho, an international food and business-services group that is heavily influenced by the Bellon family, which owns a 41% stake. Like Michelin, it has no non-French board members despite depending on external markets for nearly 90% of its turnover.

In general, corporate governance at big French companies is steadily improving. But progress towards the more ambitious goals of the second Viénot report is slow. The goals include such measures as the separation of the roles of chairman and chief executive,

Japan

Bunkered

TOKYO

FRANCIS DRAKE did it, although his game was bowls, and once it was over he sunk the Spanish armada. Yoshiro Mori, Japan's much-abused prime minister, has been less fortunate. When news of a collision, on February 9th, between an American nuclear submarine and a Japanese fishing boat reached Mr Mori, he was enjoying a round of golf. He played on for another three holes and arrived back at his official residence some three hours later. Beset by a weakening economy, a falling stockmarket, assorted scandals and riot within his own ranks, Mr Mori's golfing gaffe has done him more harm. This week, senior officials from New Komeito, which shares power with Mr Mori's Liberal Democratic Party in a three-way coalition, were calling for his head.

Like the LDP, New Komeito faces an election for Japan's upper house in July. But it must also contest local elections for Tokyo's metropolitan assembly in June. The party is strong in Tokyo. Because it is in bed with the LDP, however, New Komeito's strained reputation for clean politics is coming under daily assault. A campaign-finance scandal involving KSD, a small-business foundation that showered the LDP with money, has already led to the arrest of an LDP politician. A scandal in the foreign ministry, involving a low-level bureaucrat said to have used government money to buy racehorses, is doing yet more damage.

The gossip in Nagatacho, Tokyo's political district, is that Mr Mori's fate may have been sealed at a meeting between New Komeito and LDP dons in an Azabu restaurant on January 24th. Mr Mori would supposedly be required to announce his resignation, perhaps at the end of February. The annual election for the party's presidency, which decides the prime ministership, would then be brought forward, from September to the party's general meeting on March 13th. With the much-fancied Yohei Kono, the foreign minister, done in by the scandal in his ministry, the main candidates are Ryutaro Hashimoto, a former prime minister who joined Mr Mori's cabinet in December, and Junichiro Koizumi, who heads Mr Mori's faction in the LDP. After some early gains by Mr Hashimoto, Mr Koizumi now seems to be inching ahead.

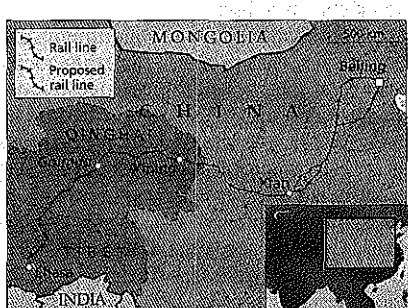
The difficulty will be persuading Mr Mori to leave. The KSD mess may lead to the arrest of other LDP politicians. The foreign-ministry scandal may claim the scalp of Mr Kono. Mr Mori's tax position is not entirely clear. Yet nothing seems to penetrate his leathery hide. He seems still to enjoy life, especially away from Tokyo. Next time he plays a round, he may be tempted to leave his mobile phone behind.

By train to Lhasa

FOR those whose idea of happiness is a long-distance train ride, there is a treat coming up. On February 8th, the Chinese government approved a plan to construct a railway line from Golmud, in western China, to Lhasa, the capital of Tibet. When it is completed, in about seven years' time, it will be possible to take a train all the way from Beijing to Lhasa, a distance of 3,900km (2,425 miles). The Golmud-Lhasa stretch will itself be 1,125km long and, to add to the thrill, it will be the highest railway in the world. The views across the Himalayas should be stupendous.

Not everyone is thrilled by the prospect of the new railway. Tibet was occupied by the Chinese in 1950, shortly after China's Communist revolution, and made an "autonomous region". Ever since, China has been trying to absorb the region into the mainstream Chinese economy. The railway, say Tibetan opposition leaders in exile, will make it easier to resettle more Chinese workers in Tibet and exploit its resources of oil and gas. During his worldwide wanderings, the Dalai Lama, Tibet's spiritual leader, has told international companies that it would be best not to get involved in industrial developments in his country.

The Chinese prime minister, Zhu Rongji, has appeared to confirm Tibetan suspicions. The railway, he says, will help to speed up "economic and cultural exchanges". Because of the difficulty of building in the Himalayas, Tibet is China's only region without a railway network. Now its engineers are apparently confident of laying the line safely, even on a tricky 600km stretch of permafrost. In Tibetan temples they may be praying for global warming.



Pakistan

Generals at bay

LAHORE

AFTER over two years of relative oblivion in self-imposed exile, Benazir Bhutto, a former prime minister of Pakistan, has jumped on to the front pages of the country's newspapers. She has done so, as it happens, on the basis of a report in a British newspaper. The report claims that the former government of Nawaz Sharif leaned on some judges to convict Miss Bhutto and her husband, Asif Zardari, for corruption in 1999. The evidence for this is said to be in the form of taped conversations between senior government officials and a judge at Miss Bhutto's trial. The tapes were made by a member of Pakistani intelligence who decamped to London and has now, so the story goes, been pricked by conscience.

Miss Bhutto's footprints seem to be all over the story. After her conviction in 1999, she claimed that she had not had a fair trial. But the Supreme Court routinely postponed hearing her petition for one reason or another. Last December, when Mr Sharif was exiled to Saudi Arabia by the present military government of General Pervez Musharraf, Miss Bhutto sensed a political vacuum in the country and considered returning to Pakistan and taking on the generals.

The Musharraf regime said it would arrest her if she set foot in Pakistan and dig up more evidence of her corrupt activities. Meanwhile, the Supreme Court announced that it would hear her 1999 petition on February 26th. This led pundits to speculate that the military regime, having got rid of one prime minister, was gearing up to finish off another. But the tapes have compromised the judiciary, whose credibility is already low after decades of battering by generals and politicians. The Supreme Court will be under pressure to acquit Miss Bhutto or order a lengthy retrial which would give her lawyers a chance to air her grievances.

This may be just the beginning of General Musharraf's troubles. Disgruntled opponents of the regime have asked the Supreme Court to strike down an "accountability" law under which hundreds of politicians and bureaucrats have been imprisoned or sidelined from politics. Lawyers' organisations across the country have banded together to announce a national strike on February 27th, demanding an early restoration of civilian rule. And the Alliance for the Restoration of Democracy—comprising supporters of Miss Bhutto and Mr Sharif, along with several other parties—is planning a demonstration on March 23rd, Pakistan Day.

Worse, the religious parties are beginning to suspect that General Musharraf may not be too kindly disposed towards them, countries is still Russophobic. Any political influence would have to be so discreet as to be largely useless. And even for a monopoly provider, gas is a hard weapon to use. Cutting off supplies for political reasons to weak, faraway countries like Georgia is one thing. But Poland is much less dependent on gas, has a much stronger economy, and is both a NATO member and hopes soon to join the European Union. Any attempt by Russia to muck around would be both ineffective and damaging to plans to sell gas elsewhere.

Not all captive nations are as jumpy. Estonia, which suffered grievously under Soviet occupation, was quick to welcome investment by Gazprom in its national gas company. (To be on the safe side, though, it also sold an equally large stake to Germany's Ruhrgas.) The Estonian government argued that this would give Russia a stake in their country's prosperity, and therefore less reason to make mischief.

However, until Russian companies are more transparently run, and for as long as the Kremlin seems unable to get over its imperial hangover, countries like Poland and Hungary will be understandably edgy—even about deals which from a business point of view make undeniably good sense. ■

Globalisation to the rescue

KOSICE

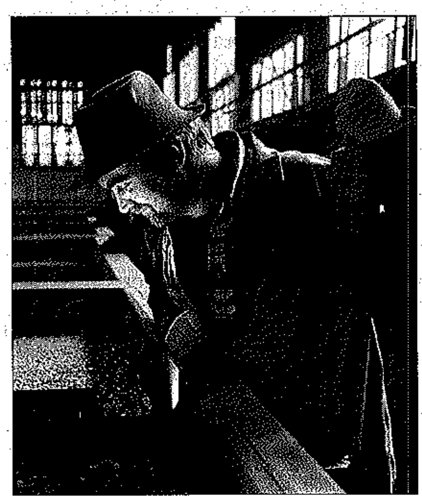
KOSICE, the second city of Slovakia, is an old-fashioned company town dominated by the steel plant of the East Slovakian Ironworks (VSZ). Unemployment in Kosice (pronounced kosh-itz-ee) is high, but VSZ employs 24,000 at wages higher than the national average. A third of the families in Kosice, reckons a city official, have a relative working at the plant.

Few of the company towns spawned, like Kosice, by communist autarky have been so lucky. The saviour of those that have has invariably been a western company that has spotted a promising industrial plant at a good price, and has then injected money and management skills to turn the place around—witness Volkswagen's success with the Czech company, Skoda Auto, and the ensuing prosperity for Skoda's company town of Mlada Boleslav. Kosice's saviour has been the Pittsburgh-based US Steel, which bought the company in November last year for $500m, $325m of which was in assumed debt. The American company also agreed to pump in $700m of new investment and to guarantee that there would be no forced redundancies for 17,000 of the workforce for ten years.

As befits its local importance, the steel plant is built on the scale of Darth Vader's Deathstar. There are clinics, schools, shops, banks, even a travel agent, "Ferrotour". One hall is over a mile long. A grey glinting blizzard of iron flakes falls like snow in the smelters where, with computerised precision, vats of molten iron begin their journey of treatments—a journey which ends in shiny value-added products like tin-coated metal for cans or galvanised automotive steel, which is where the margins are made in today's steel business.

The Slovak prime minister, Mikulas Dzurinda, for whom the sale of VSZ to a western strategic investor was a political imperative, received a congratulatory telegram from Bill Clinton after the deal with US Steel was signed—as well he might. VSZ accounted for 10-20% of Slovak exports in the 1990s and the plant still accounts for 15% of Slovak GDP, says John Goodish, the newly appointed head of the business. Had the deal failed, the whole of eastern Slovakia, not just Kosice, would have suffered. The economic hopelessness of Ukraine, locals ghoulishly speculate, would have moved west and swallowed them up. At the very least, the failure of VSZ would have put off Slovakia's hopes of joining the European Union.

The US Steel takeover marked the end of a crisis that had been running at VSZ



There's money in it

(now called US Steel Kosice) since 1998. The problems for the company began when it was farmed out by Vladimir Meciar, Slovakia's populist-nationalist leader until 1998, to Alexander Rezes, one of his cronies. Mr Rezes and his family, using the steel-producing core of the company as collateral, then went on a spending spree. They bought up a number of unrelated businesses, including Sparta Prague, Central Europe's top football club. In October 1998, the banks threatened VSZ with bankruptcy. A Slovak-born American, Gabriel Eichler, who had overseen the transformation of the Czech state electricity utility, was brought in to sort things out.

Mr Eichler's first task was to sell off VSZ's odder acquisitions and fashion it into two parts: the core metal concern, to be sold on to US Steel—which already operated a successful joint venture at the mill—and a remnant VSZ which would hold a number of the mill's suppliers and a few other less saleable concerns, including a large Kosice hospital.

Next, Mr Eichler focused on getting the steel-producing core in better shape. That meant firing the worst managers, raising production, getting rid of exclusive supplier contracts, and actually making customers pay for the steel they received. Under Meciarism, much of the steel was never paid for. Stolen? "Let's just say somebody forgot to pay for $200m of it," explains Mr Eichler. It wasn't just the Rezes family benefiting, he carefully adds, but managers, trade unions, and customers too—anyone who knew how to work the system.

The results of the overhaul were immediate, say bankers who watched over the process. When it introduced competitive tendering for its suppliers, VSZ saw a 15% drop in prices. "It was not a challenge, but an idiocy," Mr Eichler says wryly. But the turnaround was possible because the steel plant was a good one; new equipment was producing a decent product at competitive prices. US Steel plans to increase production from 3.3m tonnes last year to 4m this, despite a global oversupply.

Morale at the plant is high. Managers now speak constantly of customer care. "Quality used to be something of an afterthought," one admits. Workers say they no longer fear for their jobs and profess amazement at being consulted over company decisions. The arrival of US Steel has given new hope to the town of Kosice too. The Slovak government hopes it might become a sort of anchor tenant for foreign investors. The American company is playing its part by setting up an office to attract some of its customers to invest in Slovakia. There is talk of a BMW car plant on the way, and the city says it is hoping that a large electronics company will move in this year, bringing in another 4,000-or-so jobs.

It is not hard to see Slovakia's appeal. Its labour is among the cheapest, relative to its skills, in the world. "The biggest asset I have on this line," says Tony Pacilio, a Chicagoan who has been in Kosice for three years with US Steel's joint venture, "is my workers. The equipment is okay, but the workers are way better educated than back home."

workers to wear protective clothing during spraying and providing temporary child care at harvest time.

Other changes, including allowing temporary workers to form unions, hinge on a wider reform of labour laws to be debated by Congress this year. But that will be a slow business, and a bit of tinkering with existing laws, adapting them to the realities of fruit farming, might do more for the lives of the women who pick the grapes.

Mexico

How tough can Fox be?

MEXICO CITY

THROWING his weight around is not something that Mexico's new president, Vicente Fox, has had to do much. Since taking over the country in December after 71 years of rule by the Institutional Revolutionary Party (PRI), he has handled delicate situations, such as the budget talks and an electoral squabble in the state of Tabasco, with a mixture of quiet diplomacy and patience. It has worked well—up to now. Another electoral dispute, this time in the south-eastern peninsular state of Yucatan, is giving Mr Fox the first real test of his authority.

It started in October, when opposition parties in Yucatan complained that the PRI-dominated state congress had packed the electoral council, which will run this May's election for the state's governorship, with PRI sympathisers. The federal electoral tribunal, a sort of electoral supreme court, agreed, and ordered the congress to pick a new council.

That in itself was unprecedented. During PRI rule, the tribunal had been little more than a tool of the regime. Yucatan's state congress obeyed the electoral tribunal and chose a new council, but the opposition said that it was just as loaded as the first one. The tribunal agreed again, and in December named a new council itself and ordered the original councillors to hand over their offices and resources to the new ones.

They refused. Rowdy PRI supporters barricaded themselves into the council's offices. Yucatan's quixotic PRI governor, Victor Cervera, rallied his followers with stirring speeches in the plaza of the state capital, Merida, denouncing the federal government's attempts to trespass on the state's sovereignty. The federal government threatened to send in its police to retake the council by force if it was not handed over by the tribunal's deadline of February 10th. But as that deadline passed, and then another, it became clear that Mr Fox's resolve was not quite as strong as he had suggested.

No wonder. After seven decades of a system in which presidents had almost total power, it does Mr Fox no good to appear authoritarian. Particularly not now, when he is trying to resolve the long-running guerrilla conflict in the state of Chiapas with a softly-softly approach, and has George Bush dropping by for a visit on the 16th.

Yet it does him no good to appear weak either. The PRI still rules in 19 of the 31 states (excluding the capital). Mr Cervera is not the first to try his luck—the row in Tabasco was over the attempt by that state's outgoing governor, Roberto Madrazo, to twist the election in favour of his chosen successor—and he will probably not be the last. PRI presidents used to resolve disputes between the states and the centre by deal-making, but Mr Fox has to rule, or at least look as if he is ruling, in a legal and upright fashion.

Mr Cervera is no stranger to playing around with the law. Although governors are supposedly limited to one six-year term, he has contrived to notch up a total of ten years, on and off, in Yucatan's seat of power by haggling with PRI presidents. He is famous for handing out thousands of bicycles and washing machines, supposedly on credit, to loyal supporters. He is a classic example of the old-style regional strongmen who flourished under the PRI and, though few are quite as blatant, he would set an uncomfortable precedent if he won a showdown with Mr Fox's government.

On February 15th, the federal government had backed away from its threat to send in the police. Mr Cervera and his supporters have said they may accept a fourth electoral council, formed by some sort of consensus. The upshot for Yucatan may be the same. But for Mr Fox it would be a tacit admission that he cannot yet make Mexico's laws and institutions work as they should.

Boom bye-bye batty-boy

PORT-OF-SPAIN

THIS week, on St Valentine's day, a mass nude wedding took place at Hedonism III, a holiday resort in Jamaica. It was touch and go. "Indecent", thundered the outraged mayor of Spanish Town: "No government should allow this type of behaviour in a country guided by Christian principles." It was "begging for the wrath of God," said a prominent Pentecostal leader.

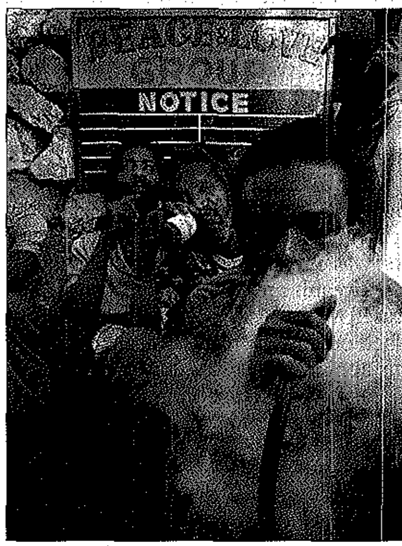
Jamaica markets itself as a free-and-easy place, but when it comes to sexual mores it can be startlingly prudish. The same is true of most other Caribbean countries, and it shows up particularly in their laws relating to homosexuals.

Most English-speaking islands threaten their gay male citizens with imprisonment. The laws are rarely enforced, but they matter. Police may ignore crimes if the victim is gay, and therefore a "criminal" too. Dance-hall lyrics in Jamaica seem to encourage the taunting and violence gays often encounter there: "Boom bye-bye in a batty-boy head," is a refrain that means, "Shoot a gay man."

Many Caribbean politicians privately admit that their laws are antiquated. But if they say so in public, the reaction can be fearsome. Dominica's attorney-general, Bernard Wiltshire, dared hint in December that his island's laws were unfair. He has been cruelly pilloried in the press, on radio and in Carnival calypsos.

Most politicians court easy popularity. "Nobody ever sing 'Boom bye-bye' for me," says Jamaica's elderly opposition leader, Eddie Seaga. "I am not one," says the prime minister, P.J. Patterson: "We have no intention whatsoever of changing those laws." In Trinidad, an anti-discrimination law has been carefully crafted to exclude sexual orientation. A constitutional amendment outlawing discrimination, including the sexual-orientation kind, was unanimously passed in Guyana last month, but the president will not sign it and it is likely to lapse.

A handful of Caribbean countries have had to change without debate. On January 1st, in line with its obligations under European human-rights treaties, Britain reformed the laws of its five tiny Caribbean Overseas Territories. They must now stop treating homosexuals as criminals. Church ministers in the Cayman Islands are getting up a petition in protest, but they do not expect Britain to listen.



Less tolerant than they look

FACE VALUE

Man on the run

Tony White has managed to transform a sleepy scientific-instruments firm into a genomics powerhouse. That was the easy bit

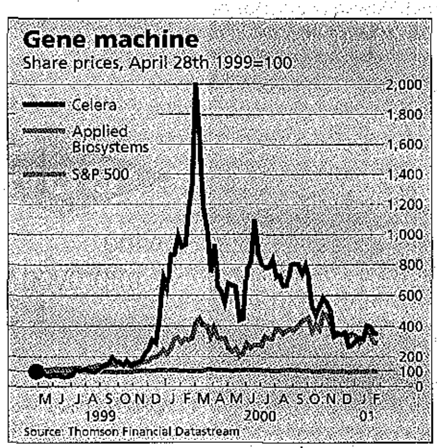
WITH his easy manner, shrewd sense of humour and slight southern drawl, Tony White is a far cry from the popular perception that a high-tech executive should be unpredictable and slightly peculiar. Yet Mr White is head of Applera Corporation, whose two component businesses—Applied Biosystems (ABI) and Celera—lead the genomics revolution. He harbours an exceptional ambition: to build Applera's shareholder value by industrialising modern biology.

When Celera was created in 1998, its goal was ambitious too: to sequence the human genome in three years, becoming the "Bloomberg of biology" by selling access to the information in a comprehensive, user-friendly database. This week, Celera published its version of the human genome sequence (see page 79), completed 18 months earlier than the division's president and chief scientific guru, Craig Venter, had predicted.

So far more than 30 institutional customers have subscribed to the web-enabled database since it was launched. While still not in profit, Celera's revenues in the year to the end of June 2000 were $42.7m. In spite of its losses, though, Celera's shares have risen more than threefold since the tracking stock was launched two years ago (see chart).

The key to Celera's success, according to Mr White, was the idea that the genome could be cracked by using a factory full of automated sequencing machines and powerful computers. This is in stark contrast to the cottage industry of international laboratories making up the rival publicly financed Human Genome Project, which spent years piecing a sequence together.

Even though the public project has criticised Celera's approach, it has had to take on some of its tools in order to keep up. Chief among these is the world's most efficient gene sequencer which, conveniently enough for Applera, is made by ABI. When Mr White first joined as head of the firm in 1995, ABI was subsumed in Perkin-Elmer Corporation, a struggling conglomerate making analytical instruments mainly for the slow-moving petrochemicals industry. By focusing it on biology instead, he built it to a point where it has a market capitalisation of $15 billion. Sales in its last accounting year were $1.4 billion, and are expected to grow this year by more than 20%.



According to Mr White, ABI's close relationship with Celera is mutually beneficial. Not only does Celera gain early access to new equipment, but it can also help shape the technology to its needs. And for its part, ABI has a convenient testbed for its prototypes, as well as a ready source of genetic information to add value to its equipment.

Racing to start

Adding value, or rather making money, is Mr White's forte. As he admits, science is not his strongest suit. He comes from a background of sales and management at Baxter International, a medical-devices company. The vision of building Celera and leveraging ABI's technology was that of Michael Hunkapiller, head of ABI, and Mr Venter. Mr White leaves the technical breakthroughs to such scientific wizards. His job is to make sure that their grand ideas make good commercial sense, and to woo investors.

But there are limits to how much money his company can make just selling tools or genomic sequence. So Mr White has already started to pursue higher value businesses. In November, the company announced a new molecular diagnostics venture, combining ABI's technology with Celera's genetic know-how to tackle early detection of ailments. Applera also plans to extend its industrial approach to the body's proteins, and to discover how they interact in human disease.

In the long run, genomics and proteomics will probably transform the pharmaceutical business, helping drug makers to develop better drugs faster and with fewer side-effects. That is why such firms have been so keen to sign deals with genomics companies. But rather than hand over its ideas, Celera has decided to get into the drug-making business itself. Other companies have had a similar idea: Millennium Pharmaceuticals and Human Genome Sciences, two other American biotech companies with roots in genomics, have already moved into drug development and have home-grown products in clinical trials.

Mr White reckons that Celera will need the rest of this year to put its pharmaceutical strategy in place, deciding which areas to target, such as cancer vaccines, and hiring more good people. Although the firm is far behind rivals such as Millennium, Mr White is confident that Celera can race ahead. The company has good scientists, canny managers, great technology and more than $1.1 billion in the bank.

However, older pharmaceutical companies understand the chemistry of creating powerful drugs without poisoning patients, testing them in clinical trials, and getting them to market. Celera does not. Mr White's plans therefore include buying up bits of other drug makers, hiring top executives cut loose by mergers in the drug industry, and partnering with others when it comes to selling the goods.

Few in the industry are surprised by Applera's change of tack, but many doubt whether Mr White, for all his business acumen, will be able to pull it off. Drug making sounds easy when you break it down into its component parts, but it takes time for the whole to gel, and Celera's past success is no guarantee of its future in such uncharted territory. Mr White is keen to take his company in a new direction. But, as Franklin Berger, a biotech analyst at J.P. Morgan Chase, points out, the firm may find the bumpy road of clinical drug development rather harder going than the super-highway of genomics.

A hug in the Colombian jungle

BOGOTA

President Andres Pastrana and the left-wing FARC rebels have been talking. There's a long way to go yet

"SLEEPING with the enemy", the press called it. Looking slightly lost in a sea of rebels toting guns, there was Andres Pastrana last week, photographed during two days of intensive talks in the sweltering village of Los Pozos. He had dared to visit the piece of southern jungle, the size of Switzerland, that is controlled by Colombia's largest guerrilla group, the Revolutionary Armed Forces of Colombia (FARC). After a period in which Colombia's efforts to achieve peace had swayed on the brink of collapse, President Pastrana and the rebel leader, Manuel Marulanda, were talking again.

Mr Pastrana's audacity was roundly applauded, but there was less enthusiasm for what he managed to achieve. The upshot of the talks, on February 9th, was a 13-point agreement rich in well-meaning but vague suggestions. The firmest point was that the FARC agreed to restart peace talks, and at a faster pace. In return, Mr Pastrana extended for eight months the FARC's control over its enclave, which was granted two years ago to get peace efforts going.

A subcommittee of the negotiating team will be set up to prevent the breakdown of negotiations in the future, and there was talk of establishing a group of observers, perhaps including foreigners, to ensure that the zone was used only for talks and not for such activities as under-age troop recruitment. Another subcommittee will look at ways to reduce the intensity of the conflict, especially the use of improvised gas-cylinder mortars. Last weekend Jorge Briceño, the FARC's military commander, admitted for the first time that such weapons have killed civilians, and said that the FARC was "investigating the possibility" of using such weapons only against military targets.

Then there is Plan Colombia, which is designed to eradicate cocaine production. The FARC wants the military side of Plan Colombia, to which the United States is contributing $1 billion, scaled down in favour of programmes to wean poor farmers off growing coca. But the government has been pushing ahead with fumigation in the southern jungle province of Putumayo, spraying some 25,000 hectares (nearly 100 square miles) of coca plantations from the air between December 19th and February 1st. Most of that was in areas controlled by right-wing paramilitaries. The next stage of spraying will be in FARC-controlled areas. The aim is to cut the FARC's drug income and force it to take the peace efforts more seriously. But tensions may well rise again.

Marulanda gets eight more months

The biggest stumbling-block to peace may be the paramilitaries, who terrorise and murder anyone suspected of supporting the guerrillas. It was the government's failure to rein in the increasingly powerful Self-defence Union of Colombia (AUC) that caused the FARC—or so it said—to break off talks last November. Carlos Castaño, a warlord whose operation fans out from a mountain lair in northern Colombia, has built the AUC into a force of as many as 8,000 men supported by landowners, business interests and drug traffickers. Some army officers collude with it. It is believed in some quarters that, if the AUC becomes too isolated as a result of an anti-paramilitary drive, it will shrug off the shackles of its backers and develop its own bloody momentum.

In the first sign that the army command recognises the political costs of being associated with such unsavoury allies, a military tribunal on February 12th convicted a former army general in a human-rights case. General Jaime Uscategui was given a 40-month sentence for failing to prevent a massacre of civilians by paramilitaries in the southern town of Mapiripan in 1997.

The picture of a dovish president pulled in opposite directions by thugs on both right and left is not entirely accurate. The army, for example, has become stronger since Mr Pastrana came to power. It is true, though, that he is under great pressure to produce results, and few analysts believe he can achieve them.

Parallels are already being drawn between Mr Pastrana and Israel's former prime minister, Ehud Barak, whose search for peace eventually alienated an exasperated public and played into the hands of a hawkish successor. In Colombia, Alvaro Uribe is the name to watch. A right-winger who displays far less tolerance for the FARC than Mr Pastrana, his hardline views have earned him some support as a possible candidate for the presidential election in 2002.

But even if a deal with the FARC proves elusive, Mr Pastrana may get a consolation prize. The government recently announced a "pre-accord" with the left-wing National Liberation Army (ELN) to set up another, smaller demilitarised zone for talks. The ELN will be allowed to convene in a 400,000-hectare area near the oil town of Barrancabermeja as long as it promises to stop kidnapping and intimidating local people, who are weary of violence.

An incessant paramilitary campaign has pushed the ELN into a corner, adding to the group's enthusiasm to negotiate. It may be here that Mr Pastrana's best hopes of ending his term with a peace deal lie. He can leave his successor, whoever he may be, to deal with the FARC—either at the negotiating table, or on the battlefield. ■

been a commercial failure. "People are unwilling to subscribe online for the latest information from anywhere in the world," mourns Mr Hume. "Instead, they will go to a lecture and pay much, much more. We have an enormous revenue stream from our faculty giving lectures."

The one area where the Internet is about to save the university money is in purchasing. James Davis, who came to UCLA a few months ago to reorganise the way that it uses information technology, has been making it possible to combine online the institution's purchases of everything from computers to pencils, giving it more buying muscle.

Many of the other uses of information technology on the UCLA campus neither save money nor visibly enhance productivity. They simply raise the quality of the experience. One example is the web-sites that now exist for almost all 3,000 or so undergraduate courses. About 55-60% of them not only supply lecture notes; they also allow students to take tests online and to see their results. Another example is My.UCLA, an in-house "portal". Students can use it to search for advice, such as the entry requirements for graduate school.

Given the University of California's sprawling size, it is surprising that its nine campuses have not combined forces more, using the Internet as a bond. The main area where they have acted jointly is in setting up the California Digital Library, which drives hard bargains with the publishers of periodicals to license the use of their electronic versions. But even here, no money is saved: the university still buys paper copies. "Paper is so much more permanent than bits and bytes," explains Gloria Werner, the university's librarian.

The Internet has undoubtedly encouraged universities to reach out beyond their own campuses in order to offer more "distance learning", and at greater distances. The University of Phoenix, set up in 1989 to teach adults through a combination of old-fashioned distance learning and evening classes, is incorporating more and more e-learning into its courses, which are mostly taken by people with full-time jobs. But the extension of an institution's brand is not without risk. Increasing the number of students who claim to have studied there can damage a university's reputation if those students do not receive the level of teaching that the university's name was built on.

Prominent universities have therefore tended to band together for support in the early stages of exploring e-learning, and they have often launched their efforts under names other than their own, even though they have some of the strongest brands in education. The business schools of Columbia, in New York, the University of Chicago, the London School of Economics, Stanford in California and Carnegie Mellon in Pittsburgh, for example, have teamed up behind Cardean University, an early effort at an online institution for tertiary education. Cardean offers complete courses, mostly in business subjects, aimed at people working full-time who want to learn in the evenings, at weekends or whenever. It plans to offer full degrees eventually.

There are more than 250 firms eager to help established universities to go online. These firms build the Internet infrastructure and manage the electronic delivery of classes. Cardean, for example, is the work of UNext, an Illinois company that grew out of Knowledge Universe, an education business started by Larry Ellison, the CEO of Oracle, and Michael Milken, the developer of the junk bond market who spent 24 months in jail for fraud. Several prominent business schools—including Wharton at the University of Pennsylvania, Fuqua at Duke University, and INSEAD, near Paris—have worked with Pensare, a company based in Sunnyvale, California, to put their material online. A host of other firms, including Blackboard, Campus Pipeline, eCollege and WebCT, offer different platforms for putting course material on the Internet and for building a student community around the material.

Some firms have decided not to be the invisible force behind the e-learning efforts of established universities, but rather to become brands known in their own right as a place for students to find courses. Sometimes these are simply portals that consolidate course information from other institutions, such as Hungry Minds. Others offer courses of their own.

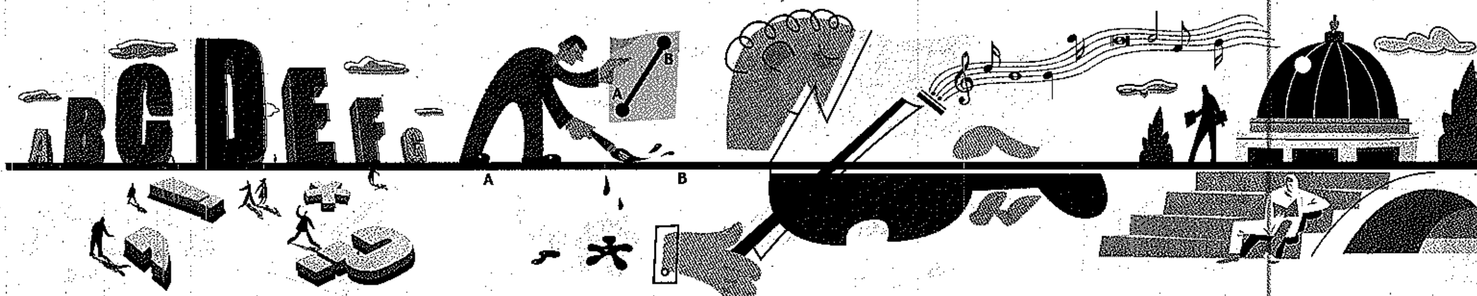
Business and other vocational subjects predominate. But some hope to find an audience for less utilitarian subjects among adults who feel that they missed some education when young. Mark Taylor, a sociologist at Williams College in Massachusetts, is leading an effort to offer courses in the liberal arts. Taught by professors from top universities—most of them so far in the eastern United States, such as Wellesley, Brown and Amherst—they are marketed under the name Global Education Network (GEN). The GEN project is funded by Herbert Allen, a rich alumnus of Williams, and it does not yet offer any complete courses, merely free snippets of lectures. But it was founded on the belief that there is a potential market for vigorous online intellectual stimulation.

Boxmind, with a number of Oxford University academics on its board, is another such ambitious project. By putting "star" academics at the centre of a stage away from their home institutions, websites such as GEN and Boxmind threaten (if they take off) to raise the tension between universities and their faculty over the ownership of intellectual property. With e-learning sites offering students access to the best teachers without having to call in at their institutional home, there is a danger that the universities' academic superstars may choose to go solo.

The mouse ate my homework

There is nothing new about the use of technology as a teaching tool in schools. Machines (from record-players and overhead projectors to televisions) have long been used to make lessons more vivid and engaging. The first computers in class were treated as novelties on which children could look things up in encyclopedias and play arithmetical games on multi-media CD-ROMS.

The CD-ROM has now been largely replaced by networked databases as the repository of learning material, but research continues into how to impart lessons that take advantage of a computer's capacity to present moving images and sounds as well as text, and their capacity to respond to a user's input. Pearson's Mrs Scardino thinks that the big advantage of online education is that it personalises the learning experience, allowing each student to move at his or her own pace and in his or her own way.



factories have been "flexing down", sending workers home without pay or making them take holidays.

Yet Mr McCollum is not despondent. He argues that a downturn was inevitable after the boom of the late 1990s: indeed, he says, there was almost a sense of relief when it finally came. Jim Gidwitz, the boss of Continental Materials Corporation, a family-run firm in downtown Chicago, takes broadly the same line. As yet, there has been only a modest softening in the sectors in which Continental Materials operates (principally construction, and the manufacture of heaters). But he regarded the Fed's cut in interest rates on January 3rd as ominous.

Over at Sears, the chief financial officer, Jeff Boyer, blames energy prices and interest-rate rises during the first half of 2000 for the slowdown in his company's clothing sales towards the end of the year. Sears reckons that it takes six months for interest-rate changes to feed through into its customers' spending patterns, so Mr Boyer is hoping for a corresponding pick-up in the second half of this year in the wake of the Fed's recent monetary easing.

Why is this downturn so difficult to read? Globalisation provides one answer. The downturn in Tenneco Automotive's American business (more than half of the total) has been partly offset by better sales in Latin America and Europe. Even among American customers, the downturn seems to be patchy. Giddings & Lewis, a machine toolmaker based in Fond du Lac, Wisconsin, says that many big manufacturers are holding back on capital-equipment purchases. But the firm's chief executive, Stephen Peterson, points to cheering signs of a growth in orders from the energy industry and in orders for portable generating equipment from dotcom companies.

Flexibility is another confusing factor. As companies get leaner and better informed, they are much quicker to take action. When DaimlerChrysler decided on production cuts for some models in January, it took Tenneco Automotive just one day to work out what the implications would be for its business. Mr Gidwitz predicts that the downturn will be much more v-shaped than before, with companies responding more rapidly both to the slowdown and to any recovery.

The most confusing signal of all, though, seems to be the labour market. Unlike previous downturns, this one has seen unemployment remain, so far, relatively low: the national rate rose only slightly in January to 4.2% (though it is higher in some parts of the mid-west, and currently stands at 4.8% in Illinois). Brachs, a confectionery company, recently took Chicago by surprise when it announced the closure of its local factory. But Bill Strauss of the Chicago Fed points out that job losses in manufacturing are not a new phenomenon. Many layoffs, such as Tenneco Automotive's cutbacks in marketing, would have happened anyway as corporate restructuring ploughs on.

In short, the mid-west's industrialists are no surer than the nation's economists or the politicians in Washington whether America is heading for a recession. The real test, suspects Mr Gidwitz, will be when "the sleepless nights come, the red ink starts to flow, and the banks come knocking on the door." ■

Wyoming's foot on the gas

SHERIDAN

AS POLITICIANS in the industrial mid-west ponder a bout of economic sobriety, their counterparts in a Rocky Mountain state are at last pouring out the champagne. With its native son Dick Cheney in the vice-president's house, and natural-gas prices shattering records, the state of Wyoming is flying high.

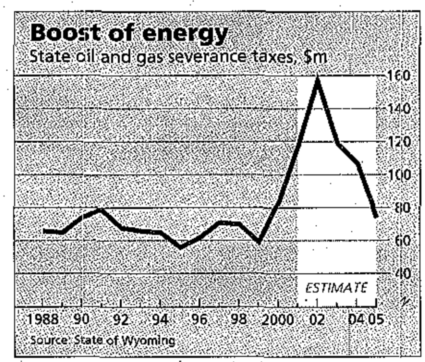
The economic boom of the 1990s stopped cold at the Wyoming border. While its neighbours, especially Colorado and Utah, were thriving, Wyoming saw the slowest economic growth of any Rocky Mountain state. Before the recent upswing in energy prices, the state government expected a budget shortfall of $183m. But now it has a glowing $700m surplus, thanks mostly to a quintupling of natural-gas prices in the past two years.

The Cowboy State is used to being out of step. For Wyoming, the Great Depression started in 1920, and left its general fund overdrawn by $1m. In 1968, after the United States had enjoyed a long economic expansion, the state's then governor, Stanley Hathaway, discovered that Wyoming had only $80 in the general fund. More recently, Wyoming would have found itself broke by 1990, but for payments from the federal government and prodigious sums squirrelled away in trust funds during a decade of high energy prices from 1973 to 1983.

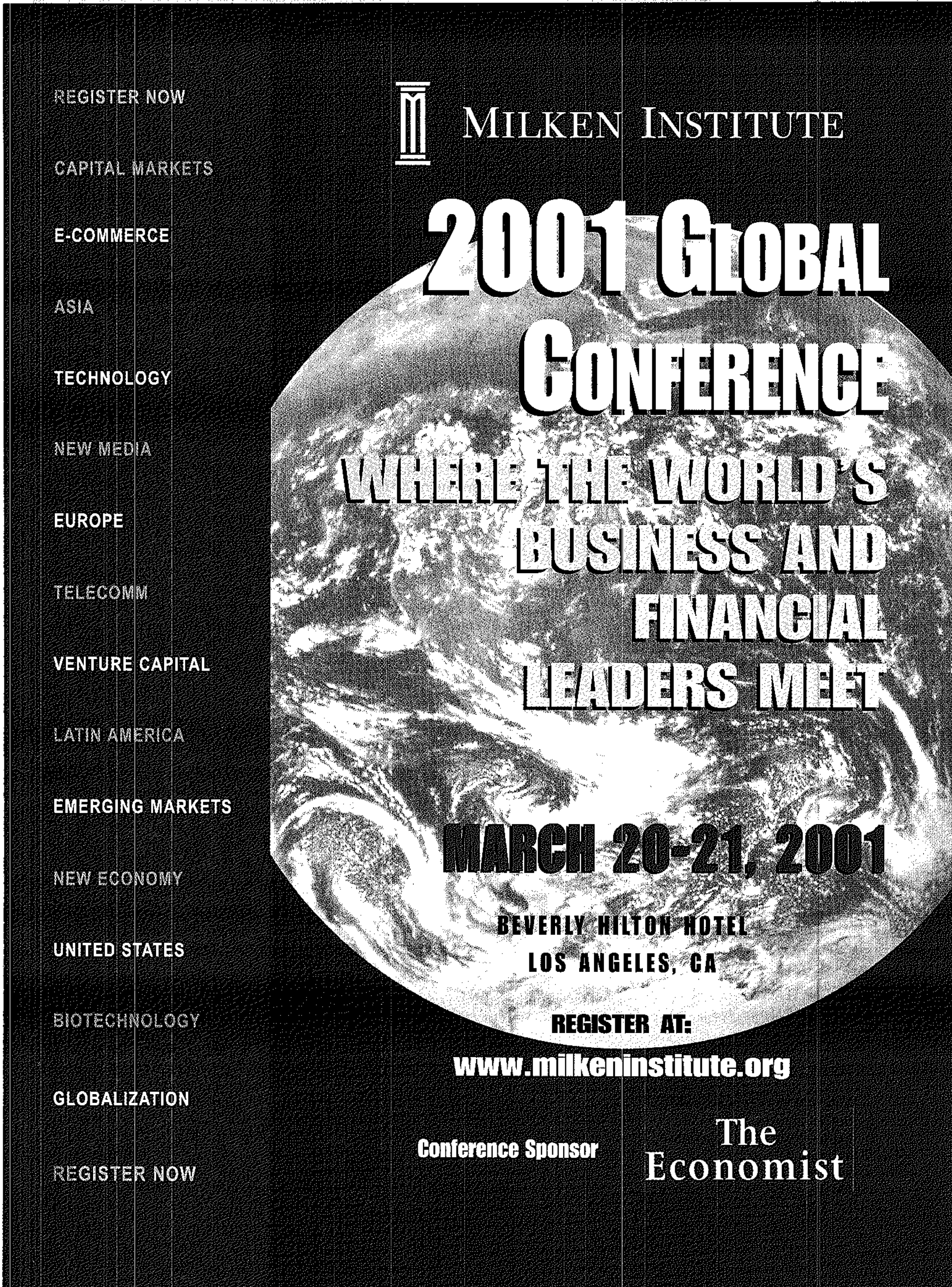
The current flush of cash comes mostly from soaring "severance tax" collections on oil and gas production, which jumped from $69m in 1998 to an expected $157m in 2002. Roughly 1.5% of all severance taxes goes into a permanent trust fund. Last year this put $117m-worth of interest into the state's general fund.

What to do with the unexpected income has divided the politicians. Poor for most of its 111 years, Wyoming loosens the purse-strings reluctantly. It remembers with dismay that the $800m surplus it had in the early 1980s had all been spent within three years. In his state-of-the-state address, Governor Jim Geringer reminded his audience of a bumper-sticker commonly seen on Wyoming vehicles in the 1980s: "Dear God, please give us one more boom. This time we won't screw it up."

Yet the pressure to make up for 15 thin years is strong. For all its wonderful countryside, Wyoming is poor at creating the sort of jobs that might persuade younger, thrusting types to move to the state. This was the only Rocky Mountain state to have less than a 10% population expansion from 1990 to 2000. The largest private employer in Wyoming is Wal-Mart. Many of the state's oil and gas jobs tend to be temporary ones, and its workers are ageing fast. A recent state report gloomily predicted that the main labour force (aged 25-44), which has already declined from 148,446 in 1990 to 134,480 in 1998, will level off in 2008 at a mere 126,560 persons.



A particular worry is the brain drain. Albany County, home of the University of Wyoming, lost 5.6% of its population during the 1990s, a reduction shared by other university towns in the Plains states, such as Grand Forks in North Dakota, Vermillion in South Dakota and Manhattan in Kansas. Wyoming's teachers rank 42nd in the country in the pay they earn, and the state's only four-year college, the University of Wyoming, has a total endowment of $141m. The University of Texas at Austin, also with its roots in gas and oil money but more recently enriched by software and computer money, has an endowment of $2 billion from private donations alone.


REGISTER NOW
CAPITAL MARKETS
E-COMMERCE
ASIA
TECHNOLOGY
NEW MEDIA
EUROPE
TELECOMM
VENTURE CAPITAL
LATIN AMERICA
EMERGING MARKETS
NEW ECONOMY
UNITED STATES
BIOTECHNOLOGY
GLOBALIZATION
REGISTER NOW
MILKEN INSTITUTE
2001 GLOBAL CONFERENCE
WHERE THE WORLD'S BUSINESS AND FINANCIAL LEADERS MEET
MARCH 20-21, 2001
BEVERLY HILTON HOTEL
LOS ANGELES, CA
REGISTER AT:
www.milkeninstitute.org
Conference Sponsor
The Economist


• Consulting • Technology • Outsourcing
Accenture was formerly known as Andersen Consulting

the markets from time to time as the "moral-hazard play".) Yet concerns about moral hazard can be taken too far. Few of those involved when a country finds itself in financial crisis escape without penalty: ask ex-President Suharto of Indonesia. Second, once a crisis strikes, moral hazard seems rather theoretical. Suddenly, what matters are the international economic or political consequences of failing to respond.

The chances are that the Bush team will be very interested in the report of the Meltzer Commission, published last March, which recommended a dramatic scaling back of the activities of both the IMF and the Bank. The commission, sponsored by Congress but headed by Allan Meltzer, an economist at Carnegie Mellon University, wants to see the IMF concentrate mainly on short-term crises in emerging-market economies, providing funds only to solvent governments that meet pre-set conditions. The World Bank would change its name to the World Development Agency, underlining a more tightly focused role in helping the very poorest countries. Overall, the commission's aim is to render the institutions more effective, to reduce overlap and to ensure that policy recommendations do not conflict.

There is much to commend in the report. Sharper focus is an aim that both institutions share—though to judge from recent, well-publicised navel-gazing at the World Bank, there is a long way to go. One authoritative watcher of the institutions, Morris Goldstein, of the Institute for International Economics, thinks that the Meltzer report goes too far, though he agrees in a recent paper on the IMF's structural policies that "The Fund has bitten off more—in both scope and detail—than its members can chew." He endorses Mr Köhler's aim of ending mission creep, with the Fund constantly extending the scope of its activities.

In the end, the new American team may be more pragmatic than some fear, or others hope. Mr Dam, apparently the deputy-secretary-in-waiting, is a scholarly fellow, no wild-eyed zealot, the author of well-regarded volumes on international economic policy. He is experienced in the ways of Washington and no stranger to the realities of power. Nor has Mr Taylor's name set alarms ringing at the IMF. He too is highly respected among the economists there.

Pragmatism goes with the territory. It is politically impossible to stand aloof and insist that national governments sort out their own troubles when the stability of the whole international financial system is at stake, or when America's vital interests are threatened. And by that stage it is no use saying—however true it may be—that the crisis should not have happened in the first place. Mr O'Neill, the treasury secretary, struck a chord even with some inside the IMF when he questioned the West's bailout of Russia in 1998. But would the administration let distaste for corrupt Russian financiers dictate a policy where profound geopolitical consequences are at issue?

The main threat to the institutions probably comes not from the White House or the Treasury but from Capitol Hill. Congress has little regard for the Fund and the Bank. Getting congressional approval for fresh capital injections for the IMF is always a painfully long process; the Meltzer Commission was part of the price that Congress exacted for authorising an additional $18 billion for the Fund in 1998. Closing the Bank and the IMF is seen as a serious option by some of the angrier critics on the Hill.

They overlook something. Often, those beleaguered institutions have enabled America to protect its interests while sharing the burden of cost with others. Adam Posen, at the Institute for International Economics, argues that the real moral-hazard problem lies not with the Bank and the Fund but with American foreign policy itself. ■

Madison Avenue Bear

NEW YORK

As MILLIONS of CNBC junkies will agree, nothing is quite so thrilling as watching a manic bull-run broadcast live from the floor of the New York Stock Exchange. As for the stock-tippers and day-traders that inhabited the dozens of financial websites, they were geniuses all. And who could resist leaving the browser window open all day to watch his portfolio climb?

Seeing it go the other way is just too depressing. Traffic at Bloomberg.com is down almost 45% from a year ago, according to Media Metrix. Traffic at Silicon Investor has also fallen off a cliff, while MarketWatch and CNNfn.com all of a sudden see no growth. Last week Motley Fool, another leading financial website, laid off 115 people, a third of its staff. It joins TheStreet.com, BulldogResearch, Red Herring and Inc.com in cutting jobs recently. Even at CNBC, viewership has peaked. The number of viewers last month was almost exactly what it had been last March, according to Nielsen, a ratings firm.

No one following the number of brokerage trades conducted online would be surprised. Behavioural economics predicts that people trade less in bear markets—and indeed Ameritrade, one online firm, has seen the average number of trades per account fall from more than four a month last March, near the peak of the Nasdaq market, to below two today. The less people trade, the less financial information they seek, and the less interested they are in watching how their bets have fared.

The financial media get hit especially hard by these trends. Not only does a bear market hurt viewership, it also wallops their main advertisers: brokerage houses, investment banks and financial-information providers. TheStreet.com, for instance, saw year-on-year revenue growth fall from nearly 250% to 23% in its most recent quarter, which was still one of the best performances in its sector. For the dotcoms, which are facing their own capital-raising problems, the experience is particularly painful. Now all are looking for a firmer footing. Last month Terra Lycos, a portal, bought RagingBull, and CNNfn.com is being restructured as part of a total revamp of its parent company. Meanwhile, Motley Fool is pushing its personal-finance side, which has kept its traffic growing while rivals' traffic shrinks. Bull markets may come and go. Mortgages and taxes are forever.

You're shorting us?

First of her kind, plus twins

Chuck Hunt—as well as using a state helicopter for her personal use and accepting a large salary for a teaching job that took little effort. Some of these things, done by a man, might have been more easily forgiven. But Ms Swift would not apologise, and "Queen Jane" was born.

She is, to be sure, only 35 years old. She comes from western Massachusetts, where people are pretty blunt. She has admitted to feeling out of place in the male, Irish-Catholic, Boston-centred State House. Mr Cellucci chose her as his running-mate two years ago, partly in order to attract young female voters. She also happened to be pregnant during the campaign, which won lots of publicity and helped to keep the campaign civilised.

Ms Swift's new pregnancy could buy her a little time. The state's legislators will not want to look as if they are bullying her, argues Geri Denterlein, a Democratic sympathiser. A lot of female voters may like a governor who works but also has a family life. Ms Denterlein has helped to organise breakfasts for women from both the big parties who, she says, found the Republican Ms Swift more impressive than they had expected. But few ordinary voters will get the chance to breakfast with Queen Jane. And there will be limits to the chivalry extended by the male-dominated State House.

In short, Ms Swift has a chance, but not a particularly big one. Much will depend on whether she has learned from her mistakes. And there is always a chance that the Democrats who will want to challenge her in next year's election will get so involved in fights with each other that they will not have much time to attack the lady governor.

Still, Ms Swift takes office under critical eyes. "I don't know that there will be a huge margin of error," Ms Denterlein says. History is also not auspicious. The best-known Queen Jane—the wretched Lady Jane Grey—lasted a mere nine days on the throne before the nobles sent her packing, and eventually to her execution.

The mid-west's economy

Down, not out

CHICAGO

How does America's economy look from the country's heartland?

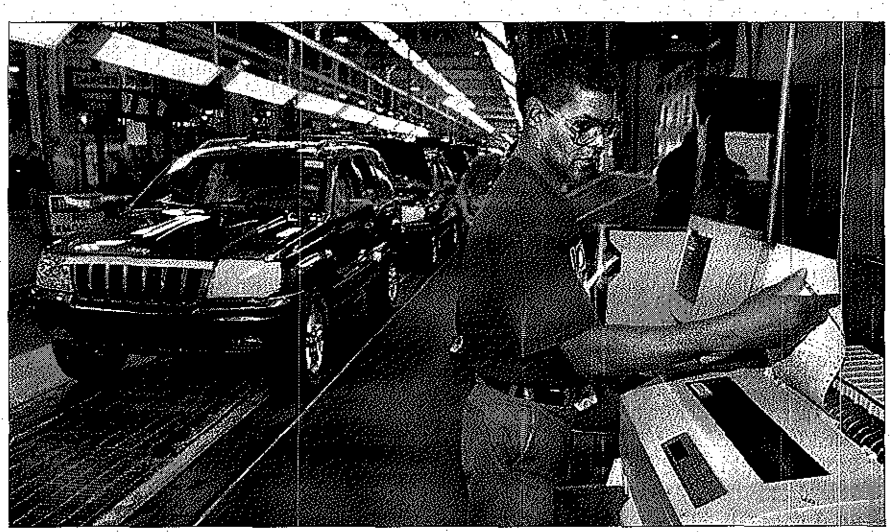
USUALLY, Chicago loves to proclaim the architectural glory of its soaring skyscrapers. Now, it looks glumly at the rather banal office block which serves as the headquarters of Montgomery Ward. In December, after 128 years, the retailer announced that it was filing for bankruptcy. Some 450 members of its head-office staff lost their jobs immediately. The 28,000 people it employed in its shops and distribution system await their fate.

In retrospect, Montgomery Ward's mistake may have been to assume that retailing was an art that only people who lived near Lake Michigan could understand. It spent so much time competing with its fellow Chicagoan, Sears Roebuck, that both failed to notice the growth of Wal-Mart. But the coup de grace was delivered by the American economy: sluggish Christmas sales get the blame for Montgomery Ward's demise.

The end of Montgomery Ward is a harsh reminder to the mid-west that America's current economic problems are not just a matter of plunging technology shares out in California. The Chicago Fed's figures show a sharp rise in unemployment insurance claims in December (see chart). Energy costs have also hit hard: some mid-westerners' heating bills have nearly doubled in a year.

For all this, the region seems pretty confident that the economy can still bring off a soft landing. Once dismissed as the "rust-belt", the mid-west has reinvented itself over the past decade. That includes bringing in new high-tech businesses (some of which are now in trouble; two other big recent job-cutters are Lucent and Motorola). But the mid-west's real achievement has been to make its old businesses, particularly manufacturing, much more productive. Chicago's Mayor Richard Daley revels in the fact that one in every six jobs in the city is in manufacturing. Manufacturing is nearly twice as important to the mid-west economy as it is to the national one.

The driving force has been the car business. But last year sales figures dived for Detroit and inventories started to climb. Local suppliers to Ford, General Motors and DaimlerChrysler have all felt the consequences: Tenneco Automotive, with its headquarters in affluent Lake Forest, just north of Chicago, recently announced that its North American revenues were 11% down in the fourth quarter of last year compared with a year earlier. The company's chief financial officer, Mark McCollum, expects this to be another difficult year, even though the company began to reduce costs early, cutting jobs in sales, marketing and administration as early as last September. Several



When the production line wobbles

Pensions in Brazil

All shook up

SAO PAULO

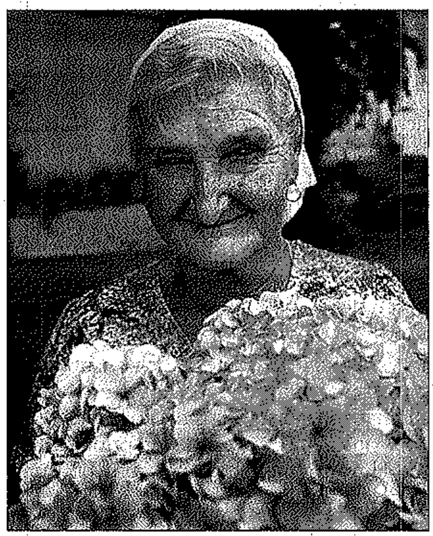
TWO of Brazil's chronic economic problems are that its people do not save enough for their old age, and that its companies struggle to raise long-term financing. One solution to both is to get more firms to set up pension schemes for their employees to which both firms and workers contribute: the employees would have an attractive means of saving for retirement, and the contributions would provide the Brazilian economy with a growing source of long-term funding.

Though Brazil's pension funds have grown steadily in recent years, they are still very small in relation to the economy, under 15% of GDP. The great bulk of firms still lack a pension scheme. The government wants to boost the growth of pension funds as part of its plans to develop the country's stunted capital markets. It is trying to update the pensions law in ways that would encourage more pension funds to be set up, improve transparency and toughen the penalties for mismanagement and fraud.

Yet rows within the governing coalition mean that the proposals are stalled in Congress, along with many other needed financial reforms. So in the meantime, the government is trying to sort out scandals and financial problems that have long festered at existing pension funds. Last November it appointed Solange Vieira, a young high-flyer in the civil service, as the chief pension-fund regulator. There has since been a flurry of rule changes as well as an unprecedented amount of intervention in the affairs of the pension funds.

Most recently, on February 7th, Ms Vieira fined eight funds for exceeding the limits for investing in the shares or bonds of any particular company. On the same day she asked public prosecutors to file criminal charges against TransBrasil, an airline, which has been collecting pension contributions from its staff but not paying them into its fund. The problems are worst at the pension funds of publicly owned companies, long prone to political meddling and corruption. These funds have a history of blowing huge sums on property speculation and failed business ventures.

Sharpening the funds' regulation seems reasonable. All the same, the funds' bosses are furious with Ms Vieira, whom they accuse of making hasty and ill-thought-out decisions. Instead of building public confidence in pension schemes, they say, she undermines trust by exaggerating the scale of the problems. Ms Vieira, in turn, complains of funds' reluctance to admit to the shortcomings: they should, for instance, be putting more realistic values on property



A pension that smells like these?

ventures that have bombed. By her reckoning, merely to value pension-fund investments at book value would mean an injection of 9 billion *reais* ($4.5 billion) to meet future obligations.

The biggest fuss has been over the regulator's announcement last month that the minimum retirement age will be raised in stages, from 55 to 65 (Brazilians are now living longer than they used to). The funds complained that the move would stop companies that needed to restructure from being able to offer early retirement to a greying workforce. The regulator responded by putting out a further instruction. The funds say it is an about-face. Ms Vieira says she was simply clarifying their misunderstanding of her first announcement, which says early retirement can be granted, provided the regulator deems that the fund can pay for it.

Shortly before this row there was yet another, over a ban on pension schemes putting money into investment funds that charged performance-based fees. Again, the pensions bosses protested, and a fresh regulation was issued that seemed to countermand the original. Ms Vieira says it was another financial regulator, the National Monetary Council, that put out the first regulation; she realised they had erred, and issued another to overrule it. Performance fees are now acceptable only so long as the investment fund outperforms the yield on government bonds, which are currently around 15%. Regulators suspect that some investment funds have bribed pension-fund bosses in return for over-generous performance fees.

The pension-fund bosses complain that Ms Vieira's edicts, heavy-handed and incoherent, actually discourage companies from setting up schemes. In principle, they are perhaps entitled to be sensitive to this problem: Brazilian governments have traditionally suffered from legislative incontinence, issuing a constant stream of ill-considered and badly drafted laws and rules. In practice, years of slack supervision, in which pensions problems have mounted, give Ms Vieira every reason to act. A pity that communication between her and the funds has broken down.

Islamic banking

Forced devotion

Pakistan's banks have four months to turn Islamic

WHEN Pakistan's Supreme Court ruled at the end of 1999 that Islamic banking methods had to be used from July 1st this year, most bankers assumed that nothing much would change. This is not the first time, after all, that Pakistan has tried to introduce an Islamic banking system.

Now, however, it appears that the highest figures in the land, including Pervez Musharraf, the country's military ruler, as well as Shaukat Aziz, the finance minister, are committed to the idea. Pakistani bankers face the awesome task of completely transforming the way in which they do business—all in little more than four months.

The Koran clearly condemns interest, which is called *riba* in Arabic, as exploitative and unjust. But of the world's Islamic countries, only Iran and Sudan have imposed interest-free banking on their populations. In most of the places where Islamic banking flourishes, such as Malaysia and Kuwait, borrowers and depositors may choose between conventional and Islamic banks. Although the first Islamic banks opened only 25 years ago, they have multiplied. There are now about 170 Islamic financial institutions worldwide, managing over $150 billion of funds. In recent years, conventional banks such as HSBC and Citibank have started offering Islamic financial services.

Instead of paying interest on deposits and charging it on loans, Islamic banks aim to enter into profit- and loss-sharing agreements with depositors and borrowers. Under *mudarabah*, for instance, a bank will give money to a borrower on the understanding that it will later share the resulting gains according to a ratio agreed upon beforehand. The bank's depositors will then take a share of the bank's profits on its *mudarabah* and other contracts, instead of receiving fixed interest.

Some Islamic bankers claim that this sysmate would reduce the surplus by a third.

It seems unlikely that the Pentagon would get as much as it wants, considering that reform of Social Security and Medicare would make huge demands on the remaining pie. As the Brookings Institution's Michael O'Hanlon argues in his forthcoming book, "Defence Policy Choices for the Bush Administration", the armed forces cannot buy their way out of trouble. This is presumably why Mr Bush refused to authorise an immediate increase in the defence budget.

Nor can the forces easily do what the president occasionally suggested on the campaign trail: skip a whole generation of weapons (cancelling, say, the troubled V-22 Osprey tilt-wing helicopter, which keeps crashing) and proceed directly to a "third generation" of weapons. This change, sometimes called the Revolution in Military Affairs, envisions aircraft carriers being replaced by unmanned "arsenal ships" stuffed with missiles, large infantry divisions being replaced by individual soldiers with all manner of high-tech arms, and tanks retiring into history. All these things may one day come to pass. But it could be up to 20 years before that day has fully arrived, a worrying gap after the time when the current lot of weapons become obsolete.

What to do? This is where Mr Marshall and the strategic review come in. Unlike previous, largely ineffectual reviews, this one is in the hands of a genuinely radical thinker. Mr Marshall has called tanks and aircraft carriers "millstones". He thinks American defence focuses too much on Europe and not enough on the geostrategic challenge of China. In the past he has advocated a halfway house between the Joint Chiefs' demand for the whole array of vastly expensive new weapons and Mr Bush's notion of skipping a generation. America, he argues, could cut back on some of its new arms plans while bringing into active service soon a few experimental "third-generation" weapons.

Mr Marshall's willingness to rethink America's defence commitments when there is not enough money to buy everything everybody wants raises other questions. Does America need 40,000 troops in Japan or 70,000 in Germany, which is now surrounded by NATO allies? Does it need 7,000 nuclear weapons on full alert, and three weapons laboratories? Does it even need a "two-war strategy" (the ability to fight two regional conflicts simultaneously)? The promised review may well answer no to at least some of those questions.

If that happened, the result might not be a Great Leap Forward into high-tech warfare. But it could well be the start of a transition that moved America away from its old, cold-war military ideas. Financial, technological and bureaucratic obstacles would remain. But for even beginning to plan for such a transition, Mr Bush deserves credit.

Bill Clinton's reputation

Muddier yet

WASHINGTON, DC

HE HAS always loved the limelight. But perhaps even Bill Clinton is getting a bit tired of all the attention he has been receiving lately. Day after day the former president wins almost as much coverage as his successor—but Mr Clinton's comes with savage barbs and uncomfortable questions.

Mr Clinton's decision to pardon Marc Rich will probably do more lasting damage to his reputation than his tryst with Monica Lewinsky. The Lewinsky affair produced millions of Clinton supporters, who thought he was being persecuted over a private matter. But even his most sycophantic baghandlers have failed to come forward to defend the pardon of the fugitive financier.

Roger Adams, the Justice Department official in charge of reviewing pardon applications, has told the Senate Judiciary Committee that "none of the regular procedures...were followed" in Mr Clinton's pardons of Mr Rich and his partner Pincus Green. The House Government Reform Committee has issued subpoenas intended to uncover any possible links between contributions to various Clinton causes (particularly by Mr Rich's former wife, Denise) and the pardon. Mr Clinton promises to cooperate with any "appropriate" inquiry.

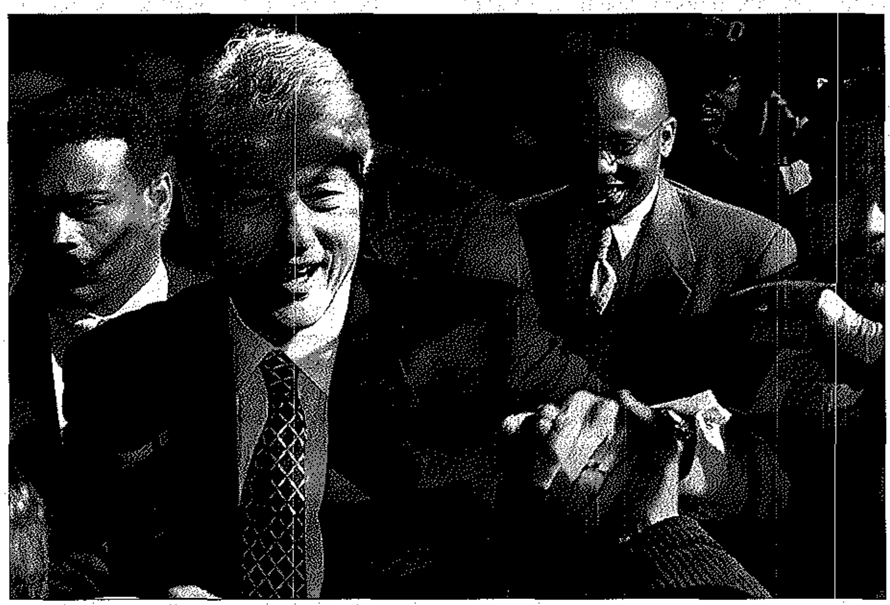
With the continuing scandals beginning to affect the ex-president's earning power (UBS Warburg has quietly scotched plans to hire him to speak at an investment conference in April), Mr Clinton is scrambling to repair his reputation. He has not only returned a small treasure chest of furniture and finery to the White House. He may also move his future presidential office from midtown Manhattan to the heart of Harlem.

This last move suggests that the former president has not entirely lost his touch. Mr Clinton was greeted by a huge crowd shouting "We love you" when he visited Harlem this week. Harlem is an advertisement for one of Mr Clinton's best policies: creating economic empowerment zones to revive decaying bits of America's inner cities. And blacks have always been Clinton loyalists, growing even more enthusiastic when the white establishment turns against him.

Mr Clinton still has to cut a deal with the city's Republican mayor, Rudy Giuliani (who once prosecuted Mr Rich), to persuade him to relinquish a lease on behalf of the city's child-welfare agency. But Harlem could be an ideal base for Mr Clinton's attempts to rehabilitate himself. It would be especially handy if he were to run for mayor of New York.

Some of his critics may be in danger of overplaying their hands. Talk of impeaching the ex-president could revive suspicions of a "vast right-wing conspiracy." (George Bush has been careful to insist that "it's time to move on.") And some of the cash-and-carry charges have been exaggerated. Borsheim's, the store at the heart of Giftgate, denies an allegation that Hillary Clinton set up a secret registry of goodies. All the other living ex-presidents helped themselves to some "personal" effects from the White House—and all live pretty comfortably. Ronald Reagan (who once made $2m for two 20-minute lectures in Japan) let some rich friends buy him a $2.5m house in Bel Air.

So far it still looks as if Mr Clinton can easily survive a few questions about his taste for White House loot. But the Marc Rich pardon looks dodgier by the day. That will test even Mr Clinton's powers of recuperation.



At least they love him in Harlem

ECONOMICS FOCUS

A matter of trust

Behaviour such as reciprocity and co-operation is not bred in the bone. Rather, it responds to incentives and experience

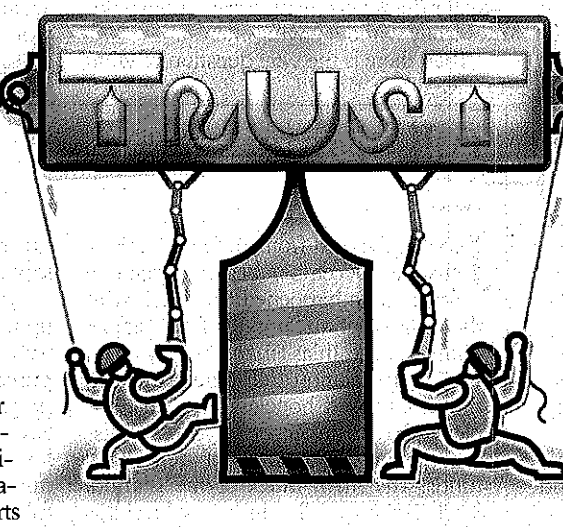
HOW MUCH do you trust your business partners, and how much do they trust you? Even in rules-based, litigious societies, some measure of trust is essential. Contracts cannot plan for every eventuality, and outcomes are often hard to verify anyway. The issue of trust is that much more pressing in emerging economies, whose threadbare legal systems and poor enforcement offer little assurance to investors. So how much trust can we expect from others? Researchers are beginning to find out.

Intuitively, at least two sets of factors might foster a degree of trust. For one, trust could serve as a signal of goodwill, either to secure co-operation in the short term or to ensure the success of a long-term relationship. On the other hand, the origins of trust might be simpler: some people might just feel good about trusting others.

Kenneth Clark of the University of Manchester and Martin Sefton of the University of Nottingham examine the first of these motivations in a recent paper. By having subjects play a series of simple games, the academics measured levels of trust and trustworthiness among strangers at their first encounter, and then recorded how the levels of trust changed over time. The format for each game was the "sequential prisoner's dilemma" (SPD), which imagines two prisoners being held separately for interrogation on their parts in an alleged crime. There are four possible outcomes, depending on the prisoners' actions. Should the first prisoner to be interrogated confess, whilst the second does not, then the first is released and the second gets 20 years (or vice versa). Should both confess, then both get ten years. Should neither confess, both get two years.

In this game the outcome that shows the greatest mutual trust between the two prisoners is where the first one refuses to confess, and the second does the same. True, the second player might well be inclined to confess and so get off scot-free. But if the game is played several times, maintaining trust gives the best overall outcome: players receive two-year sentences every round rather than each time risking ten or 20 years in the slammer.

Using money as a payoff rather than prison sentences as a threat, Messrs Clark and Sefton had student subjects play the SPD ten times. Players kept the same role (first or second mover) in each round, but were randomly paired with different, hidden partners. During initial rounds, the first mover began by trusting (not confessing) 57% of the time. In 35% of those cases the second mover followed suit, thus obtaining the trusting outcome. By the tenth round, however, only 32% of first movers were still trusting. And these co-operators were rewarded with trust in return only 38% of the time. The levels of mutual distrust had ratcheted up in the intervening rounds. This evidence belies the idea that any given person is, by nature, consistently trustful or mistrustful.



The authors refined their results in two ways. They doubled the payoffs across all outcomes, and they offered far greater rewards for a solitary confessor. Simply raising the stakes had no effect. But in the second case, where the cost of trust was increased, the frequency of the trusting outcome fell substantially. Again the idea that some people are inherently trusting, whilst others are not, appears ill-founded. Changes in incentives count for much.

Despite the evidence that trust responds to incentives, certain situations foster trust more than others. In another game of trust, Edward Glaeser of Harvard University and his collaborators paired off players, some of whom knew each other in real life. In this game, the first player received $15, of which he could give any part to the second player, hidden from view. The amount transmitted was doubled by the researchers, and the second player then sent any part he wished of the new amount back to the first player. Here the trusting outcome is for the first player to send all $15 to the second. Then, provided that the second player is worthy of the first's trust, both can walk away with $15. Nevertheless, the first player has an incentive to keep the entire $15. He can only do better if the second player returns more than he keeps.

Sadly for those with a high regard for human nature, the first players sent an average of $12.41 to their partners, who returned an average of 45% of the doubled sum. First movers who declared before the game that they trusted strangers sent $2.21 more across, other things equal, than counterparts who remembered their mothers' advice on this subject. The existence of a previous acquaintance also affected behaviour: both the amount initially sent, and the percentage returned by the second player, rose in proportion to the length of time the players had known each other. Perhaps unsurprisingly, when players were of different races or nationalities, the return ratio was much lower.

A vice to trust all?

The findings on group identity receive more support from a forthcoming paper by Alberto Alesina of Harvard and Eliana La Ferrara of Bocconi University. They merged two decades of responses to an American social survey with census data on racial mixes in different parts of the country. Their statistics show that blacks and members of racially mixed communities were far less likely to trust others than were whites or others living in racially homogeneous communities. Respondents who had recently suffered a personal setback—for instance, serious illness or financial problems—also reported lower levels of trust. This suggests that when people revise their expectations of fellow humans, it may sometimes be for apparently irrelevant reasons.

Together, the studies argue that trust is shaped by experience not native personal traits. It also seems that trust is a fragile thing, prone to break down altogether. The lesson? A handshake is no substitute for ready money, or a hard-earned reputation.

The papers referred to are: "The Sequential Prisoner's Dilemma: Evidence on Reciprocation", by Kenneth Clark and Martin Sefton, *Economic Journal* (January 2001); "Measuring Trust", by Edward L. Glaeser et al, *Quarterly Journal of Economics* (August 2000); and "Who Trusts Others?", by Alberto Alesina and Eliana La Ferrara, *Journal of Public Economics* (forthcoming).

with his supporters' attitude towards Golkar only "because I feel the same way".

Mr Wahid's enemies, of course, have reformist arguments of their own. They point out that he has done nothing during the past 16 months to stem corruption or improve the justice system, and they accuse him of meddling unwisely in many government deals, especially those involving tycoons who owe IBRA money. Since Mr Wahid has done nothing to establish accountability, they say, they have their own ideas about which corruption cases to concentrate on: start with the president and go from there.

In the firing line

So is Gus Dur a corrupt president being impeached by a reformist parliament, or a reformist being impeached by a corrupt parliament? In truth, neither description is accurate. To see why, consider two of the decisions that have most haunted Mr Wahid: his sackings of a PDI-P cabinet minister and a well-known general.

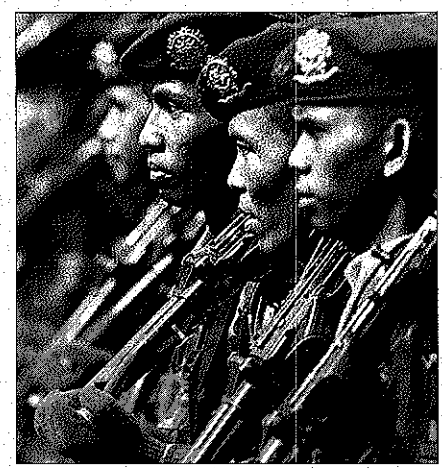
Many of the president's problems with parliament can be traced back to a cabinet shuffle last April, in which he sacked two ministers from his economics team. One of those ministers, Laksamana Sukardi, was a trusted adviser of Miss Megawati, and had earned wide respect for taking on the state-owned enterprises ministry. Mr Wahid not only sacked him, replacing him with a loyalist, but botched the explanation horribly, telling parliament—with no proof—that he had removed Mr Sukardi for corruption. This infuriated many of his coalition partners, including Miss Megawati, who guards her clean reputation jealously and did not like the sideswipe at her party.

Mr Wahid's other big personnel fiasco involved his attempt, last year, to establish firmer control over the army by promoting an outspoken junior general, Agus Wirahadikusumah. Shortly after taking command of Kostrad, the army's elite strategic reserve, General Agus revealed an audit that had found widespread corruption in the unit. This did not endear him to fellow officers, who also resented the favour the president was showing him. When Mr Wahid tried to promote him again, the senior generals resisted by lobbying Miss Megawati—and won. In the end, General Agus ended up with nothing and Mr Wahid revealed his impotence. The message was driven home by a decision in the MPR shortly afterwards, allowing the armed forces to retain the guaranteed seats in parliament that they hold as token of their "dual function" in both defence and politics.

This episode was similar, in some ways, to the sacking of Mr Sukardi. The president's supposedly keen tactical skills failed him miserably on both occasions, helping to place him in his current predicament. In the first case, Mr Wahid's opponents were supporting the reformer; in the second, the former was supported by Mr Wahid. In both cases, as friends of Indonesia gloomily point out, the reformer lost.

As a result of all this, many advocates of reform are now fed up with all sides. "The elite machinations of Jakarta politics are so flagrant, it's disgusting," says one cabinet minister. Dennis Heffernan, a local consultant and long-time friend of Mr Wahid, is distressed to see the president play into parliament's hands. "Everybody knows they are a bunch of hastily cleaned up New Order creeps," he says, "but Gus Dur is just making it easy for them."

Although he is less of a Gus Dur fan, this sentiment is echoed by Erros Djarot, who was an adviser to Miss Megawati for most of the 1990s before he left in frustration early last year. Mr Djarot derides Mr Wahid as "the president of East Java". But he is just as quick to denounce Miss Megawati, complaining that "the two of them are always blocking us". As for the members of parliament, "They are like hungry dogs hunting fresh meat." A piece of graffiti in central Jakarta captures the mood of the moment: it urges Mr Wahid, Miss Megawati, Mr Tandjung and Mr Rais all to resign.



Would Megawati unleash them?

At most, only one of this quartet will be gone in the next few months. With Mr Wahid out of the way, is there any chance that Miss Megawati would improve her performance? In many respects, reassuringly, she would represent similar values to those of Mr Wahid. Unlike the "central axis" of Islamist parties led by Mr Rais, both she and Gus Dur have stood up for a secular approach to life. Since Miss Megawati has never been a Muslim cleric, is a woman, and has been accused of consorting too closely with the ethnic-Chinese minority, she may find it slightly harder to carry this message with authority. And she might well inspire the fragmented Islamist opposition, though it remains weak, to unite against her.

When it comes to the army, Miss Megawati's course is harder to predict. She would probably be less likely to push for structural reforms, such as the repeal of the territorial system that gives the army its widespread political influence. And although some of her ministers might prod the army to clean up its off-budget businesses, that would be a painfully slow process in any case. Miss Megawati's reluctance to interfere in these areas would have little practical effect, since Mr Wahid has had no success there either.

One Indonesia

A Megawati presidency might make a bigger difference to the way the army treats troublemakers. Partly out of respect for her father's legacy, she wants Indonesia to hold on to all of its present territory, and appears to have been vexed by Mr Wahid's willingness to negotiate with separatists. Since her own supporters were among the victims of military heavy-handedness in Suharto's time, she would no doubt urge the generals to maintain some discipline. But if Miss Megawati were to become president, it would probably be the residents of Aceh and Irian Jaya whose lives would change most, and for the worse. She might also turn the army loose on Islamic extremists such as the Laskar Jihad, which has injected itself into sectarian violence in the Molucca islands.

As for economic policy, Miss Megawati has a few good people in her party, including Mr Sukardi. But she also has some bad ones. Like Mr Wahid, she has espoused few economic ideas of her own, and would have to do a lot of negotiating; her chances would hinge largely on whose advice she chose to take. And although she would be unlikely to make progress on corruption, even a start would be good in Indonesia, where the only thing people do openly is lie to journalists.

Will she be willing to topple Mr Wahid? Apart from her gung-ho advisers, many who know her still doubt that she will take the risk. Had she not been so cautious in 1999, she would already be president; she refused to negotiate and ended up as number two. Moreover, there is the small matter of her husband, Taufik Kiemas, who is one of the PDI-P's chief fundraisers. Few people doubt that, should she take over, the searchlights would swivel on to his business activities. Besides, says Mr Heffernan, "The presidency right now is a flaming bag of cow dung. I think she's too smart to touch it."

It is still conceivable that Mr Wahid could work out a deal. On February 14th, he said he needed a rest. He is about to embark on a long trip next week, which will include a pilgrimage to Mecca. Once again, there are rumours of a shuffle when he returns. This time, he could do it differently, listening to his vice-president and installing a cabinet she can live with. But such a deal is getting harder to imagine. Even Gus Dur's confidants admit that he would rather drive a train over a cliff than admit to his old friend that he had been wrong.

complex of regulatory sequences of DNA that switch them on and off in response to chemical signals from the rest of the cell. Anything that interrupts this regulation will get short shrift from natural selection. So only 2% of the DNA in these parts of the genome consists of transposable elements.

It is difficult to avoid concluding that, where they do persist, transposable elements must be conferring some benefit. One possibility, suggested for a type of parasite called a SINE (short interspersed element), is that it helps promote the production of proteins when a cell is put under stress. SINES, and other transposable elements, are not normally transcribed by the cell's machinery to produce the molecular messengers by which genes act. But in the case of SINES there is an exception: they are transcribed in stressed cells. The molecular messenger that results serves to block a substance that would otherwise slow down protein production. Thanks to SINES, therefore, a stressed cell may be able to respond more rapidly to the threat in question.

Similar advantages to the continued existence of other sorts of transposable element will probably turn up when people start looking in detail. And in a few cases those elements have been co-opted by their hosts to even better effect: it looks as though at least 20 genes that play a useful role in the human body originally came from transposable elements. That is hardly surprising. Genomes are not picky about where they acquire useful material, and transposable elements are not the only things to have been plundered. More than 200 "human" genes have actually been pinched from bacteria.

These slaves, or immigrants—call them what you will—are part of the grand-total number of genes that each of the projects has come up with. But those totals are smaller than many people expected.

Out for the count

In the 1980s Walter Gilbert, one of the pioneers of genomics, estimated that the number of human genes was around 100,000. He based this on knowing the number of genetic letters in the DNA in the chromosomes of a human cell's nucleus (which can be worked out from their weight) and guessing how many genes might lurk in any given stretch.

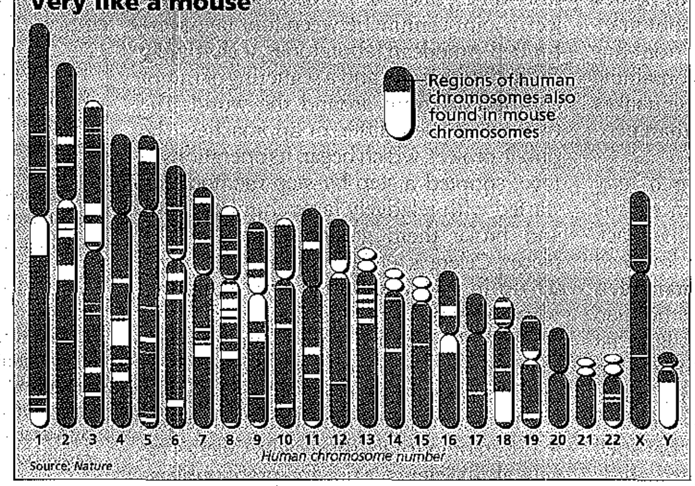
More recent estimates have varied wildly. Based on his early results, Craig Venter, the boss of Celera, came up with a figure of between 50,000 and 80,000. Incyte Pharmaceuticals and Human Genome Sciences, two other American firms that have been busy creating private, though less comprehensive, versions of the human genome, have talked of numbers between 120,000 and 150,000. It shows how wrong you can be. (Though some cynics have suggested that higher numbers would make drug companies willing to pay more for access to the genomic databases maintained by these firms.)

Somewhat like a fly

Another surprise is that the genetic differences between people and other species seem smaller than had been supposed. Celera announced this week that it had finished sequencing the genome of that laboratory workhorse, the mouse. The last common ancestor of mice and men probably lived 100m years ago. Yet according to Dr Venter, the firm's scientists have found only 300 genes that people have and mice do not.

The public project, though it does not name such a precise figure, comes to a similar general conclusion based on publicly available mouse-genome data. To a reasonable approximation, a human genome is like a mouse genome that has been chopped into pieces and rearranged (see diagram). The exact genetic sequences of the shared genes are different in the two species, so the proteins that result from them are not perfect copies of each other. But they are close. It looks, therefore, as though the differences between mice and people have more to do with the way that their genes are regulated than with what they actually produce.

Very like a mouse



Human self-importance can, however, salvage something from the fact that mice and people are significantly more sophisticated than invertebrates. They have 1½ times as many genes as a nematode worm, and twice as many as a fruit fly (the two other animals that have had their genomes completely sequenced). A large core of shared genes deals with such shared processes as the release of energy from glucose. But in addition to this core, there has been a massive expansion in humans (and mice) of the groups of genes that control several other sorts of function.

Some of these are no surprise. Immune systems are a speciality of vertebrates in general and mammals in particular. One difference between the human genome and those of worms and flies is therefore the large number of genes dedicated to keeping this costly but effective system going.

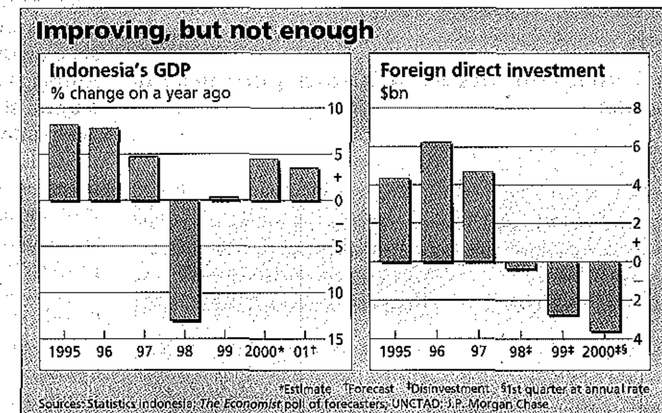
Other areas of expansion include the genes that regulate the nervous system (particularly those that are responsible for the signalling molecules known as neurotransmitters) and the blood system. But perhaps the most interesting were in two groups of genes that help to create complexity. One of these was the group whose protein products bind to DNA and thus regulate the expression of genes such as those in the homeobox clusters. The other was for the group that controls the process by which a cell kills itself, which is known as apoptosis.

Apoptosis is an essential act, not a casual one. It first came to light in the study of cancer: one way the body deals with cancerous cells is to order them to self-destruct. But apoptosis is also crucial during embryonic development. Some developmental processes are like sculpting in clay. They involve adding bits of tissue where none previously existed. Others are like sculpting in stone. They involve carving away tissue that is already there. This is done by apoptosis. The cells that die help to make you what you are.

The lessons of history

Just as cells die out when they become redundant during development, so genes die out when they become redundant during evolution. The human genome bears witness to this process, too. It is littered with things called pseudogenes. These look at first sight like real genes, but lack the additional ponents—including Amien Rais, an Islamist self-promoter, leader of one of the main coalitions in parliament, and chairman of the MPR—warned him that he had no more than a year to shape up. Moreover, by that time it was already clear that a pair of multi-million-dollar financial scandals would provide the pretext for impeachment when the time came.

Mr Wahid also went on to construct his new cabinet without taking Miss Megawati's advice on appointments, much of which proved to be prescient. Despite his minority government, he has continued to treat parliament as an insignificant nuisance. Most baffling of all, he has prepared himself for this battle not by cementing ties with Miss Megawati, but by insulting her personally in settings where accounts of what he said were bound to get back to her.



Collateral damage

The great fear now is that, if Gus Dur's presidency collapses, he will not be the only victim. Things could still be much worse for Indonesia, the world's fourth-biggest country, and its 210m people. In 1965-66, the period that ushered in Mr Suharto's rule, 500,000 people were killed in Central and East Java in riots in which the NU played a central role. Now, even outside the hotspots of Aceh, Irian Jaya and the Moluccas, the country is racked by vigilante violence and frequent unexplained bombings—the latest being a string of church bombings on Christmas Eve. Since the Indonesian army is distrusted and demoralised, there is no telling how much trouble a political upheaval could cause.

Indonesia's neighbours are clearly worried. This week, Malaysia's deputy prime minister, Abdullah Ahmad Badawi, gave warning of "a new wave of boat people" if things go wrong. The governments of Australia and Singapore have similar fears. Given the difficulties of patrolling the area, Malaysia and the Philippines also worry that Islamic militants will find it easier to operate in their southern islands. Since much of the world's piracy occurs in Indonesia's shipping lanes, a breakdown of authority could give it free rein. It is easy to see why Colin Powell, America's new secretary of state, has singled out Indonesia as a country that bears close watching.

Even if these nightmares never come to pass, the present difficulties will probably cost Indonesia another year in its efforts to get back on its feet. More than two years after the country's banks collapsed, pledges to sell assets from the bank-restructuring agency, IBRA, continue to go unmet. Such sales would amount to the biggest step Indonesia could take to restore confidence. Yet they remain blocked by political stalemate. Nor is there any clear plan to manage the policy of radical decentralisation, which allows hundreds of corrupt local governments to exercise more control over their own development budgets and, in consequence, to do whatever they please. More political instability will also hamper other efforts to attract investment. And, yet again, fresh assistance from the IMF has been suspended because of stalled reform. This paralysis could easily stretch into the middle of the year. Unless Mr Wahid manages to avert the impeachment effort, that is when the procedure to unseat him will come to a head.

That procedure began last month, when a decision was taken to censure Mr Wahid over the two financial scandals, one concerning the national food agency, Bulog, the other concerning a donation from the sultan of Brunei. The scandals occurred last year, after Mr Wahid tried to appropriate funds from Bulog, ostensibly for humanitarian aid in Aceh, at the north-western tip of Indonesia. The president has admitted that he looked into this, but says that he later got the money from the sultan of Brunei, who gave $2m. Shortly after Mr Wahid had approached Bulog, his masseur, Suwondo, arranged an illegal disbursement of 35 billion rupiah ($3.7m at current rates), claiming he was acting on the president's behalf. Mr Wahid says he knew nothing about this.

Although Mr Wahid's story is a little fuzzy, the evidence against him is circumstantial. Nevertheless, parliament voted decisively to accept the report, which accused him of being involved in the Suwondo affair and of misusing the sultan's money. Mr Wahid now has until early May to explain himself to parliament. If it is unimpressed, he gets a second warning, and one more month; then parliament is allowed to call a special MPR session to vote on removing him.

Already, more than 200 MPs seem convinced of Mr Wahid's guilt, or at least of his unsuitability as president. They wanted him impeached at once. Neither Miss Megawati nor Akbar Tandjung, who heads Golkar, the former ruling party, has sanctioned this, since it is in the interests of the two biggest parties to pay some attention to the rules.

Miss Megawati in particular is staying studiously silent. This is partly because she does not want to be compared to Gloria Macapagal Arroyo, the president of the Philippines, who led the opposition's efforts to unseat her predecessor, Joseph Estrada. For although Miss Megawati, like Mrs Arroyo, would probably enjoy the support of the army, that is not a blessing in Indonesia, where soldiers are so discredited.

Mr Wahid's opponents in the PDI-P are convinced that they have a green light to unseat him, but this week there was talk from other quarters of giving him one more chance. He might, perhaps, be asked to yield yet more authority to Miss Megawati in exchange for keeping the presidency.


They want Wahid to go

Mr Wahid's backers argue that there is no evidence that he has done anything wrong and that, at worst, he is guilty only of campaign-finance offences. Parliament is pushing him out, they say, only because MPs dislike his efforts at reform. Mr Wahid has shrewdly played to this sentiment in several ways. He has said that he will respond to parliament's treachery by renewing his drive against corruption, pledging this week to concentrate on ten particular offenders.

Moreover, although he denies orchestrating the NU's attacks on Golkar offices in East Java, Mr Wahid has sought to portray this movement as a battle between the old regime (confusingly named the New Order) and his new reformist one. Mr Wahid told *The Economist* this week that his empathy for the NU gangs—he said last week that he "understood" why they were violent—had been misinterpreted. He says that he will do whatever he can to prevent violence, and that he was trying to point out that he agreed paraphernalia needed to get the cell they inhabit to transcribe them.

The existence of pseudogenes is one reason why it is hard to put a precise figure on the actual number of genes in the human genome. Merely finding a gene-like sequence in the DNA is not enough. An independent line of evidence, such as a matching protein, is needed to be sure.

A good example is the sense of smell. This depends on a huge number of different receptor proteins, each tuned to a different sort of chemical stimulus. The production of these proteins requires, in turn, a large number of genes. In the human genome there are more than 900 stretches of DNA that look, at first sight, like genes for these smell-receptor proteins. But the sense of smell, though quite important to people, is by no means as important as it was to humanity's ancestors before they took to the trees and came to rely mainly on vision. The DNA reflects this. Close scrutiny of those 900-odd "genes" shows that 60% of them are broken in ways that mean no protein can be copied from them.

Even broken genes, however, can be useful to biologists. Together with the transposable elements and the fact that significant blocks of DNA will occasionally duplicate themselves and pass down the generations without apparent harm to the creatures containing them, they form a sort of fossil record of a species' past. It is early days yet—data from other species, needed to make useful comparisons, are sparse—but it is possible to start looking at the history of the genome itself.

One surprise is the sheer amount of duplication. More than 1,000 examples were identified. Usually, such duplications cause illness, if not death (Down's syndrome is the result of the partial or complete duplication of chromosome 21). Those that persist, however, have an important role in evolution. The additional copies of genes they create can be modified to do new jobs, while the originals carry on with the old ones. It is another way for creatures to become more complex.

Cui bono?

So much for the science. What use is it all? The main hoped-for uses, of course, are medical—particularly the development of new drugs. One obvious approach is to look for genes that produce proteins similar to existing drug targets. Such genes are called paralogues, and the public paper illustrates their potential with three examples already under investigation.

One is the gene for a receptor protein in the brain. This protein, known as 5-HT3B, interacts with a neurotransmitter called serotonin. This neurotransmitter affects mood (anti-depression drugs such as Prozac work by boosting the effect of serotonin) and the newly discovered receptor is explaining many aspects of serotonin's function that were previously mysterious. The gene for 5-HT3B is a classic example of the value of having the full human genome. It was identified by searching the genome for sequences of DNA that looked similar to a known serotonin receptor, 5-HT3A.

A second medically significant gene, responsible for producing a protein called CysLT2, is active in the muscles of the airways leading to the lungs, and is implicated in the development of asthma. This was found not by analogy with a known human gene, but rather by comparing the human genome with the partially sequenced genome of the rat, where a similar gene had already been discovered.

A third gene, which is responsible for a protein called BACE2, was found because of its similarity to one of the genes involved in

the deposition of the amyloid plaques that occur in the brains of people with Alzheimer's disease. It, however, is located in the chromosomal region that (when duplicated) is implicated in Down's syndrome. That is interesting because Down's is also characterised by the deposition of amyloid.

Each of these three genes is being studied by drug companies, and the chances are that many more potential targets will be turned up when each of the genes in the sequence has been well described. Indeed, the public paper lists 18 further paralogues of common drug targets that its authors have identified during the course of their researches. At the moment, fewer than 500 human genes (or, rather, their products) are known to be the targets of existing drugs. Even if only 10% of the human genome turns out to be responsible for proteins that would make good drug targets, that would multiply the inventory around sixfold.

Turning this potential into medicines will take a lot of time and money. Another aspect of the genome may yield more immediate benefits. This is the analysis of single nucleotide polymorphisms (SNPS).

SNPS, as their name suggests, are places where the genomes of individuals differ by a single genetic letter. They are likely to be important for two reasons. First, they can be used as signposts. Each SNP is assumed to have an independent evolutionary origin, so if two people share one, the chances are they will share the same versions of the genes that are near that SNP. The SNPS can thus act as markers for particular versions of genes, including those versions that predispose people to disease. The second reason that SNPS are medically important is that some of them (the ones that are actually found inside genes) are among the causes of those different versions of genes.

In this context, one of Celera's findings is particularly intriguing. The firm's researchers have discovered that less than 1% of SNPS seem to alter the composition of a protein. This suggests that human genetic variation is the result of only a few thousand minor differences between proteins.

Of course, as anyone who plays cards knows, even a few dozen different things, let alone a few thousand, can be shuffled into a vast array of combinations. But this result confirms the idea that *Homo sapiens* is a young species—too young to have accumulated significant genetic variation.

Crossing the line

So who won the race? It depends on whom you ask. The public project's researchers, stung by the suggestion made when Celera opened for business that they should fold their tents and let the money funding them be spent on something else, are clearly convinced that they did. Given that Celera eventually chose to incorporate data from the public databases into its own analysis, they have a point. In retrospect, the company's timetable was too ambitious if the real prize was intended to be a complete Celera-only sequence.

But this is to miss a bigger point. Though Celera's researchers are scientists of integrity, they are ultimately answerable to their shareholders. Their sequence does not have to be ideologically pure, it just has to be right—accurate enough and detailed enough to form the basis of the "value-added" genetic-information packages from which the company currently makes its money. That, it certainly is.

The real winner, therefore, is science. When Dr Venter and Celera made their audacious gamble in 1998, the public project responded by speeding up significantly. Without that stimulus, it is unlikely you would be reading this article today. ■

ommended, Ireland's finance minister, Charlie McCreevy, lowered them and raised public spending in a mildly expansionary budget. Helped by cheaper oil, the inflation rate is now dipping. But there are fears that Mr McCreevy's budget will stoke the economy up again, and revive inflation.

And so it may. But it is a close call, on which reasonable people can disagree. Ireland's inflation may be too high, although given the Irish economy's current super-competitiveness it may well be that higher wages will prove an effective way to even things out again, in the absence of currency movements that could have done the same. But the most important point is that, whatever your view, Ireland's inflation harms nobody but the Irish. It will not affect the euro's credibility on world markets, nor have the slightest measurable effect on euro-zone inflation as a whole.

The Economist's view has long been that, with monetary policy now exclusively in the hands of the European Central Bank, and with the Maastricht treaty having explicitly banned the ECB from ever bailing out a defaulting member, countries should be allowed more freedom to set their own fiscal policies, not less. The European Commission disagrees, feeling that fiscal policies need "co-ordinating", and that limits must be set to deter "bad" behaviour. Even on its own terms, however, this policy does not justify the reprimand to Ireland.

Blarney from Brussels

If a big economy, such as France, Germany, Italy or Spain, were to pursue inflationary policies, then that could indeed affect inflation in the whole currency zone and, on the commission's argument, might merit a reprimand. But that is no reason to make a scapegoat of tiny Ireland. Some officials argue that if Ireland's sins are ignored, then it will not be possible to chase bigger countries' sins when they really matter. Yet this is surely nonsense. To launch a scarcely credible attack now on the euro's most successful member is no way to boost the credibility or authority of any future attacks.

Dressing for the downturn

As America's economy slows, business casual is proving rather too casual

ONLY a year ago, the suit and tie seemed headed for extinction—along with other old-economy anomalies like profits, proven products and payment in cash. In the new economy, workers would wear whatever clothing best got their creative juices flowing, without unduly restricting freedom of movement while playing table football and engaging in other activities *de rigueur* in the modern cutting-edge working environment. This sartorial revolution started, inevitably, in Silicon Valley, but by last spring it had stormed even the most sober and traditional banks, consultancies and law firms of Manhattan and the City of London. One by one, they all went "business casual". A charity was established to redistribute suits to the unemployed—not that a jacket and tie were any longer going to help anybody get a job.

Now, it turns out, the vision of an open-neck future was but a mirage. Suits are back. According to the Doneger Group, a "style consultancy", sales of suits and dress shirts bottomed in the third quarter of last year, and have since rebounded sharply. The evidence is clearest in New York, where many a suit has been rescued from the wardrobe, with chinos and polo-shirts relegated to the weekends. Only workers who never come face to face with customers or senior managers can still fearlessly wear jeans and T-shirts—with the notable exception of technical staff, of whom nothing smarter was ever expected in the first place.

Even America's congenitally casual west coast is going conservative. The new vogue is "dressy casual". At a minimum, *The Economist* has found, shirts are once more being tucked into trousers. New-economy trendsetters such as Bill Gates, Michael Dell and Larry Ellison have all been seen looking dapper. When Steve Case, boss of AOL, wore a tie at the announcement of his firm's purchase of Time Warner a year ago, it was interpreted as a gesture to reassure Time workers. With hindsight, it seems Mr Case simply had a feel for fashion. George Bush, sure-footed in his first weeks in the White House, has banned jeans from the Oval Office and wears a suit almost everywhere except on the ranch.

The time has surely come to replace the old "hemline theory" of economic cycles with a new theory of suits. Back in the 1920s, George Taylor, an economist at the University of Pennsylvania, argued that hemlines on women's skirts were a useful indicator of economic activity. They moved higher in good times, because women could afford to wear, and show off, expensive silk stockings. In hard times, they moved lower, as modesty required that less expensively clad legs be covered. Sure enough, skirts were short in the roaring twenties, and long in the Great Depression.

A turn-up from trousers

Now that women have more to think about than their stockings, the wearing of suits may be a more reliable guide to economic trends. In any case, many female executives have abandoned hemlines altogether in favour of trousers.

The suit is the perfect attire for hard economic times. It speaks of seriousness of purpose and self-discipline. It speaks of dullness, too, which is a welcome contrast with the anarchic creativity of the dotcoms. A suit saves time, because it requires no thought and still looks all right—a crucial competitive advantage in the labour market that men long enjoyed over women. How foolish it was to throw that away. If you want to show you are more than new-economy flotsam, get yourself a smart three-piece.

Above all, the backlash against suits revealed a labour market so tight that workers had all the cards. Bosses hated seeing their staff slouch contemptuously in torn jeans and jumpers, but had to put up with it. Now, jobs are harder to come by, and involve more work and less play. The suit is back. Everywhere except *The Economist*, of course. Here, freedom of movement is a religion.

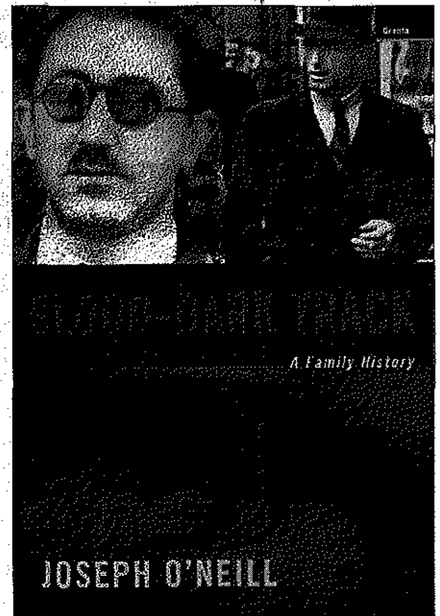
translator. In nothing is Dante's feeling for order more apparent than in the poem's unique and beautiful form. The celebrated rhyme-scheme, called "terza rima", drives the story on in a way that suggests ascending steps. It also breaks that forward movement into stanzas, which gives the poem its feeling of lyrical reflectiveness within the epic scope of the narration. To abandon rhyme might seem equivalent to abandoning the poem.

But no translation can capture the whole of a poem, as Robert and Jean Hollander are aware. Their new version of "The Inferno" attempts a sort of compromise: a more or less literal version without rhyme or regular metre. Their rhythms hover uncertainly between the ordinary Shakespearean pentameter and a fairly prosy free verse. Although there have been more exciting versions that give us something of Dante's music and magic, there has rarely been such a useful one. The Hollanders—he is a Dante scholar, she a poet—act as latter-day Virgils, guiding us through the Italian text that is printed on the facing page. Their English is not remarkable as poetry, but it can be poetic, and it helps us to come to terms with a foreign poem that is perhaps the most magnificent ever written.

Family loyalties

On the edge

BLOOD-DARK TRACK. By Joseph O'Neill. *Granta; 333 pages; £16.99*



IF YOUR maternal grandfather was a Maronite Christian from Mersin in southern Turkey who was interned by the British near Jerusalem for more than three years during the second world war, a war in which his country was nominally neutral; and if your paternal grandfather was a member of the IRA who was interned in the notorious Curragh prison in the nominally neutral Irish republic for four-and-a-half years at more or less the same time, that coincidence alone would make a strong enough theme for a book. When the circumstances of the two men's detention are mysterious and their grandson is a writer of Joseph O'Neill's calibre, then that book becomes several things at once: a gripping detective story, a thoughtful enquiry into nationalism, and a moving evocation of world war at the edges of its European theatre.

Both grandfathers lived in a time when an ambiguous word could mean death, and not necessarily their own. Turkey was a ferment of intrigue. Mersin, an outpost of multicultural Levantines, hard by the disputed territory of Hatay and the British controlled protectorate of Palestine, had its full share of foreign visitors looking for more than the beach. And over County Cork, home to the O'Neills, hung the presence of the IRA and a frightening number of unsolved sectarian killings.

The experience of wartime made both men wary and unapproachable. The generation that they fathered in its shadow were not keen to question the past. But Mr O'Neill, born in 1964 and one generation removed from the trauma, has a far less inhibited curiosity which takes him from an ancient monastery near Jerusalem to the wild west of Cork turning over family stones with happy abandon. At one stage he wonders if he is not doing it "as a punishment for the hurt silence which, I rightly or wrongly sensed, they'd bequeathed to my parents."

To uncover his grandfathers' secrets he has to go still further back, to see what formed these complex men. His journey takes him to the Armenian massacres of 1909, the fringes of which his Mersin grandfather must have witnessed, and to an outburst of Protestant killing in west Cork in the 1920s, where the family connection was closer and more sinister. It is a journey that throws up hard-to-answer questions about the conflict between nationalism and the rights of minorities.

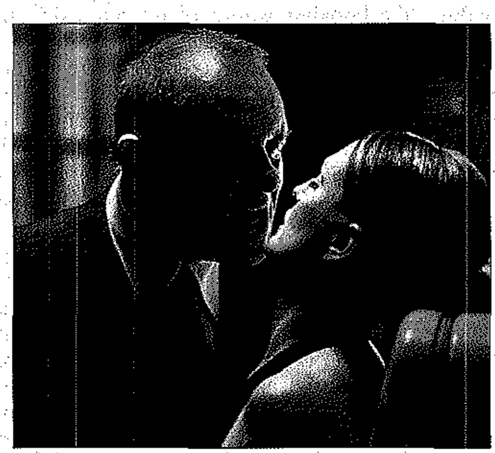
It is also a journey that throws up some extraordinary coincidences which, occasionally, the author allows to carry him too far. He tries, for example, to establish a parallel between his maternal grandfather, Joseph Dakak, and Franz von Papen, the German chancellor who ended up as his

Not horrid enough

IN THE gorier bits of "Hannibal"—and there are plenty of them—squeamish viewers may well decide to shut their eyes and think instead of Dante, the cannibal's favourite poet: of Paolo and Francesca, or of the love that moves the stars. Oh yes, and of the treacherous Ugolino in the deepest circle of hell, eating away at an archbishop's brain.

Hannibal Lecter is both repellent and attractive, urbane and deranged. He can drop a tercet from the Florentine bard and he eats real fingers with his breakfast eggs. The tension in his character made Thomas Harris's "The Silence of the Lambs"—and the 1990 film with Anthony Hopkins and Jodie Foster—compelling.

Mr Hopkins is back again in "Hannibal", which is taken from another of Mr Harris's Lecter novels and directed by Ridley Scott. When the film opened in America on February 9th, it took a staggering $58m in its first three days. Alas, the tension is gone. Hannibal at large in Tuscany is just not as scary as when he was evilly manipulating events from a high-security cell. He has become a stock Hollywood fugitive, buffeted by events but always a step ahead of his pursuers. These include a revenge-bent millionaire, a corrupt policeman and an FBI agent, Clarice Starling, played by Julianne Moore, who took the part when Ms Foster wisely turned it down.


Al Dante

Starling and Lecter do not meet until the film is two-thirds done, and then the erotic charge of the earlier film is missing. Mr Scott has also changed the novel's horrid "happy" ending, playing his film's gruesome last scene for laughs instead—and leaving the story open for "Hannibal III". Viewers may prefer to curl up with Dante—and Count Ugolino.

ternationalist" administrations, like the previous one, are too inclined to see the IMF and the World Bank as ends in themselves, as signs of enlightenment and virtue, however much a mess they may make of things. It is quite right to ask, as the new administration is more likely to, whether these bodies need to exist at all, exactly what purpose they are intended to serve, and just how well they are discharging their duties, whatever these may be.

It is also encouraging that a useful blueprint for reform—a starting-point, at any rate—is already to hand. Last year, making itself heard above the general racket, was a plan set out by the Meltzer Commission. This group, sponsored by Congress, was chaired by Allan Meltzer of Carnegie Mellon University, and drew on an impressive range of expertise, including that of Harvard's Jeffrey Sachs, who is a leading thinker on development, not noted as a Republican Party patsy, but nonetheless a trenchant critic of the Bank and, especially, the Fund. The group did not achieve unanimity, but it did produce a report that commanded support from across the ideological spectrum, laid down some radical yet sensible basic principles, and was warmly applauded by senior congressional Republicans. All this is quite promising.

The commission's main idea can be stated briefly. In different ways, both the Fund and the Bank have been trying to do far too much. The IMF, first conceived as a provider of liquidity in emergencies, has become a development institution, advising and requiring borrowers not merely to repay, but to reform the deep micro-structure of their economies. It has little expertise in this area; such policies, forced on governments in circumstances like these, tend not to stick; and so wide a development remit in any case overlaps with that of the Bank. The Bank, on the other hand, has not broadened its operations; rather, it has failed to narrow them as conditions—notably, the development of global financial markets—have changed. Most of its loans go to countries with access to private international capital. The countries which, according to the Bank's own analysis, could make best use of its resources receive a comparatively small share.

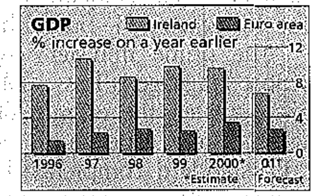
To be more effective, the Fund and the Bank both need to do less. The bosses of both institutions have duly declared themselves committed to sharpening the focus and so on (see page 73). They always say that. Almost certainly, if it means shedding lots of people and seeing their budgets shrink, they don't mean it. That is where the administration comes in. It will have to lean heavily if things are to move in the direction the Meltzer Commission proposed.

Covert operations

Will it? Maybe not. Especially in the case of the Fund, the problem of mission creep is at least as much the fault of successive American administrations as of the Fund's own managers. Often, notably in Russia, the Fund has stepped in to do America's foreign-policy bidding, even though by its own lights its actions were risky at best. The quid pro quo for a properly focused Fund and Bank is greater willingness on the part of Congress and the administration to give more aid of their own explicitly, either to serve national-security goals or to pursue development objectives which lie, for whatever reason, outside the scope of the institutions. Sadly, the administration may, like its predecessors, find it all too convenient to have a misdirected Fund and Bank do its bidding and then take the brickbats. ■

Ireland's euro–sins

The European Commission is wrong to reprimand the Irish for their loosening of fiscal policy



IT IS a pretty rum way to promote the merits of Europe's single currency. The European Commission has taken the euro-zone country whose economy has been growing the fastest, which has broken no rules either from the Maastricht treaty or from the subsequent "stability and growth pact", whose public debts are falling, which has the largest fiscal surplus (as a share of GDP) in Europe, and, frankly, whose success or failure makes just about the least difference to all the others. And, on February 13th, it publicly criticised that country—Ireland—for having recently loosened its fiscal policy, and thus flouted the euro-zone's "broad economic policy guidelines". This was the first time it had delivered such a formal reprimand to a euro-country. A better way to discredit the single currency in the eyes of potential members—such as, well, a certain large country between Ireland and the continent—could scarcely have been dreamt up.

To some degree, this judgment is unfair. After all, the commission merely wagged its finger at Ireland, something international institutions do all the time to one country or another, and Ireland is free to wag its finger, or rather two fingers, back. Even so, the question remains whether, at a time when the euro sorely needs to become more popular, this reprimand was wise. For, strictly, unless Ireland breaks the stability pact's rule against running a budget deficit of more than 3% of GDP, Irish fiscal policy is none of the commission's business.

Was the criticism even justified? Far from having a deficit, Ireland has a fiscal surplus of 4.6% of GDP. Last year, its economy grew by nearly 10%, and it has recorded an average annual growth rate almost as good over the past five years. This small, once-poor country has been catching up with its richer partners, which is meant to be one of the purposes of joining the European Union in the first place. Barely more than 4% of the working-age population is jobless, and inward immigration is expanding the labour force. Nor does this success arise from the EU handouts, amounting at times to 4-7% of GDP, which have helped it build so many roads and other public works during the past 30 years. This Irish success is of Irish making, as successive governments have opened the country's markets, lowered taxes, improved education and managed the public finances in a sensibly austere way.

The blot on Ireland's record is its high inflation, which hit an annual rate of 7% last December. It is this figure, easily the highest in the EU, that has caught the eye of its European colleagues. In December, rather than raising taxes as some recsold to the Museum of Modern Art in New York a Mona Lisa, mischievously painted in the style of an abstract expressionist. Sales of his paintings began to rise, and in 1979 his work was crowned with a retrospective at the Hirshhorn Museum in Washington, DC. (This success did not come without family misfortune: in 1974 a car smash had killed his small son and left him badly injured.)

Does the adversity show? Crossing his arms and raising his chin, Mr Botero says: "I have never been guided by what critics say, but by what I admire in the history of art." It sounds arrogant. But he concedes that landscape—"empty space"—has defeated him, and he ends with the thought that he will never resolve anything completely.

Mr Botero still works every day in one of his many studios on either side of the Atlantic. But not in Colombia, where a kidnapping threat hangs over the rich or famous (he is both). If peace came to his country, he says, he would love to return home, adding—as matador or painter?—that maybe he could then "teach someone a thing or two."

South African cartoonists

Inky devils

JOHANNESBURG

THE DEVIL MADE ME DO IT. By Zapiro. *David Philip; 160 pages; 72 rand.*

THE MADAMS ARE RESTLESS. By S. Francis, H. Dugmore and Rico. *Rapid Phase; 176 pages; 77 rand.*

PENPRICKS: THE DRAWING OF SOUTH AFRICA'S POLITICAL BATTLELINES. By Ken Vernon. *Spearhead Press; 200 pages; 153 rand*

JONATHAN SHAPIRO had yearned to be a cartoonist since he was small. But growing up in South Africa under apartheid, he was not free to do as he pleased. As a young white man, he was conscripted into the army, where he was harassed for his radicalism, and put on sentry duty with a dummy rifle made of wood and lead piping. His drawing skills were forcibly squandered on menu illustrations and get-well cards for officers injured in stupid accidents, such as the one who burned himself trying to douse a *braai* with petrol.

In his spare time, Mr Shapiro drew satirical cartoons for underground pamphlets. The authorities objected. His work was periodically banned. He was hauled out of bed at night by the security police, frequently interrogated and briefly jailed. At one point, he was forced to go into hiding behind granny glasses, inexpertly dyed orange hair and a goatee.

It was easier then to be a cartoonist in South Africa. "It is much harder now," says Mr Shapiro. "In the old days, you knew where you stood, and who the enemy was. But now I have to take a more nuanced line."

Such sentiments are common. The end of apartheid deprived South African artists of a bottomless treasure chest of material. At least one cross-dressing comedian took a year off to find his bearings and uncover new targets. Newspaper cartoonists, by contrast, obliged to produce a new doodle every day, had to grapple with the new order straight away. On the whole, they have done a good job.

Mr Shapiro, who goes by the *nom de crayon* "Zapiro" (see cartoon below), is the best. Last year, when the South African government was pondering whether to send peacekeeping troops to Congo, Zapiro showed with a single cartoon why this would be impractical. A South African soldier at a roadblock sees the tip of a rocket-propelled grenade launcher protruding from a bush. "Halt," he cries, "Who goes there?" The guerrilla in the bush replies: "Congolese Rally for Democracy." "Hang on," says the peacekeeper, and he turns to consult a chart of parties to the Congo war, on which seven groups are listed as "friend", eight are listed as "foe" and ten are listed as "not sure". The Congolese Rally for Democracy, by the way, is labelled "not sure", along with the Congolese Rally for Democracy (breakaway). Congo has grown no simpler since President Laurent Kabila was shot dead last month.

Before 1994, Zapiro unhesitatingly supported the black liberation movement. Now that the liberators are in government, he is still sympathetic, but lampoons the abuses that power makes possible. Crooked officials feel the jab of his pencil, but he cheers on Willem Heath, a courageous judge who was in charge of collaring them. In one cartoon, Mr Heath is depicted as a character from "Ghostbusters", entering a spooky-looking government building to smoke out the "ghosts"—dead workers who still draw salaries.

The new regime has surprised many by pursuing cautious fiscal and monetary policies. Economists applaud, but macroeconomic orthodoxy has yet to spur growth, and the poor are still poor. Zapiro shows a woman with a baby strapped to her back, washing clothes in a puddle outside her shack. Her son sits on a crate nearby, reading a newspaper. "You'll be glad to know," says the boy, "that according to the analysts, the economic fundamentals are in place."

For lighter, but still barbed cartoons, try Madam and Eve. This popular strip (now also on TV) tells of a white "madam"—big perm, big earrings, BMW—and her black maid, Eve. The three cartoonists, S. Francis, H. Dugmore and R. Schacherl, take South African stereotypes and gently play with them. Gwen, the madam, is bossy, stingy and idle. How many madams does it take to change a lightbulb? Two: one to watch TV and the other to call the maid. Eve, much the smarter of the two, is forever devising new ways to make extra money or goof off.

When this formula flags, the cartoonists throw in topical fantasies. For example, the soccer official who denied South Africa the chance to host the World Cup in 2006 visits the country and is sent bungee-jumping with only knotted bedsheets to break his fall. The authors even South-Africanise old nursery tales. Rapunzel lets down her hair from her window only to see it singed on an electric fence below. Hansel and Gretel nibble at the witch's gingerbread house, whereupon the witch hits her panic button and summons security guards.

Finally, for anyone interested in the past but lacking the energy to read a more academic tome, Ken Vernon, a journalist, has compiled a cartoon history of South Africa. It is impressionistic, but revealing. Nineteenth-century cartoons are either pro-British or pro-Boer; blacks appear only as peripheral savages. By the latter half of the 20th century, though, the drawings show a struggle between those who wanted to grant more rights to blacks, and those who wanted to deny them.

A cartoon by John Jackson in the *Cape Argus* in 1959 was especially prescient. It shows Hendrik Verwoerd, the then prime minister, trying to lead two ferocious dogs over a narrow bridge, each straining at the leash to bite the other. One dog is labelled "apartheid", the other represents the South African economy. Partly because it was so difficult to do business when the law compelled firms to hire by skin colour instead of skill, apartheid South Africa stagnated. It is a lesson the country's current rulers would do well to heed.

long run counter-productive, to expect the cost of this aid to be met out of drug-company profits. Instead, rich-world taxpayers should pay. It would be much better to spend aid money on drugs for developing countries than it is to waste it in the usual ways.

Far from compromising science, profit in both these cases—the development of new medicines and the elucidation of the genome—has animated it, and directed it towards meeting pressing human needs. It is a happy marriage. Davy and Pasteur would surely have approved.

Indonesia's divided leaders

Indonesia cannot afford both an incompetent president and an equivocating vice-president. If only they would pull together

PLAIN speaking is not one of Megawati Sukarnoputri's strong points. So when Indonesia's vice-president this month said her country had never been in a worse state since its foundation 56 years ago, her words carried quite a punch. But, as usual, Miss Megawati was not as clear as she might have been. That she spoke out at all was an implicit criticism of the president, Abdurrahman Wahid, and carried the hint that she might be ready to replace him, just 16 months into his five-year term. But such nods and winks serve only to heighten instability. It would be better if Miss Megawati made an open bid for power, or, failing that, threw her support wholeheartedly behind the president.

Her lament was an exaggeration: Indonesia, sadly, has been through worse than this before, both during the slaughter that accompanied the rise to power of ex-President Suharto in 1965-66 and in the bloodshed and economic collapse that precipitated his downfall over 30 years later. But Miss Megawati was right that her country is in a mess (see page 27). The economy has never fully recovered from the whirlwind of 1997-98. Political uncertainty deters foreign investors, while the IMF and aid donors are exasperated by the slow progress of reforms that have been promised and, worse, the attempts to reverse some, such as the new independence of the central bank, that have actually been achieved.

Mr Wahid, who has suffered two strokes and is nearly blind, now faces a drawn-out process of impeachment for alleged corruption. Demonstrations for and against him have turned violent. He has flirted with declaring some sort of martial law, but his promises to bring to justice those guilty of plundering the nation during the Suharto years have proved largely empty: witness the failure of the police to arrest Mr Suharto's son, Tommy—hardly a shrinking violet or master of disguise. Separatist pressures mount at either end of the huge archipelago, in Aceh to the west, and Irian Jaya to the east, while communal killings disfigure the Moluccas.

All of this matters far beyond Indonesia's borders. With its 210m people, its troubles cast a shadow over the whole region. Its neighbours treat it indulgently out of fear not so much of its strength but of its weakness, and of the spectres that evokes: in the short term, economic stagnation; in the long term, waves of refugees, pirate-infested seas and a power vacuum to be filled by competitors such as China.

Is this the president's fault? Yes, partly. Many, including this newspaper, gave a cautious cheer when Mr Wahid took office. His record as a Muslim leader known for his tolerance, and for his long-standing, if often bewildering, commitment to democracy, suggested he might, however improbably, make a success of the job. In fact, he has done some good. His government has tried to reduce discrimination against the Chinese minority, for example, and has at least tried to talk to separatists. But too many of his policies have been vague. When they have been clear, they have soon changed, or, as with the sensible-seeming efforts to give greater autonomy to the provinces, they have been botched. Moreover, the style that suited Mr Wahid when he was the dissident leader of a non-governmental organisation does not work now that he is president. His jokey way of shrugging off trouble once seemed charming. It has become a refusal to face criticism, punctuated by ill-tempered bouts of ineffectual authoritarianism.

Megawati's mini-voltage

Mr Wahid's popular support stems from his former leadership of Nahdlatul Ulama (NU), a Muslim social organisation with more than 30m members, founded by his grandfather. He used to acknowledge that this gave him a kind of feudal power that, he said, he could use to foster democracy. It can no longer be taken for granted that his democratic instincts lie deeper than the feudal ones. Unfortunately, exactly the same could be said of Miss Megawati, whose prominence originally stems from the reverence felt for her father, Sukarno, Indonesia's first president. Too often in recent years Miss Megawati has appeared aloof from the rough-and-tumble of democratic politics, as if, like a queen, she could simply wait for the mantle of power to alight on her shoulders. This, her supporters would say, is the way things are done in Java.

But not in a democracy. Miss Megawati does have one strong claim to the presidency: her party won more votes than any other in the parliamentary elections in 1999. She was then outmanoeuvred by Mr Wahid in the electoral college that chose the president. She still has, in theory, a better chance than Mr Wahid of leading a cohesive parliamentary coalition, and enjoys broad popular support. More worryingly, the army, too, would probably prefer her to Mr Wahid. Its backing might bring stronger government, but also increasingly restive regions. It would be a mistake to try to bind together the nation her father founded by military might alone.

In the event, a Megawati presidency might turn out all right. It is not a prospect, however, until the impeachment uncertainty is over—unless Mr Wahid should resign. He may in fact still be able to redeem himself, if he calls off the NU's street-fighting elements, admits that he himself is not above the law, and appeals to Miss Megawati for her support, as a nationalist icon. That remains the best hope. It is certainly far better than a long power-struggle, played out not just in parliament and the presidential palace, but on the streets.

suasive investigative reporter, sees all this as a damaging corruption of the free market. He is especially incensed by promotional techniques aimed at impressionable children. A 1997 giveaway of Teenie Beanie Babies increased the sale of McDonalds' Happy Meals from 10m a week to 10m a day. And a survey found that 96% of American schoolchildren could identify Ronald McDonald, the chain's mascot. Only Santa Claus scored higher. ■

India's choices

Agree to differ

NEW DELHI

INDIA UNBOUND. By Gurcharan Das. *Knopf; 384 pages; $27.50; 495 Indian rupees.*

MISTAKEN MODERNITY: INDIA BETWEEN WORLDS. By Dipankar Gupta. *Harper Collins; 225 pages; 195 Indian rupees*

A DECADE after discarding comforting but self-destructive ideals of self-sufficiency and economic planning, India is in the midst of a great debate about the consequences. The antis mourn two losses: dedication to equality and an approach to development that was distinctly Indian. They fear, in a word, that India is losing its soul. The pros revel in India's new information-technology prowess, the unshackling of business, faster growth and the hope that it will reduce the country's appalling poverty. They celebrate India's reconditioned body.

"India Unbound" is by an unabashed pro, an ex-boss of the Indian part of Procter & Gamble who has moved into business consultancy and writing (he has done a novel and three plays). Thanks to economic reforms, he writes, "we have glimpsed paradise again and are on our way to regaining it." The author of "Mistaken Modernity", a sociologist at Delhi's leftish Jawaharlal Nehru University, is an ambivalent anti. He does not condemn outright the reforms of 1991, which entailed deregulating business and opening India up (partially) to foreign trade and investment. Like many Indian sceptics, he is nostalgic for the days when production decisions "were tied umbilically to national development and sovereignty."

Gurcharan Das is correct that the umbilicus was strangling the baby. But there is less conflict here than it seems. Both sides in this debate are avowed enemies of what might be called old India, which remains in many respects the India of today. Its features include discrimination against women, caste barriers, Hindu chauvinism, official corruption, advancement based on patronage and, for business, profits without competition. Dipankar Gupta contends, justly, that India's fascination with western gadgetry and lifestyles has not brought modernity. You can subjugate women and make a weapon of religion just as well with a mobile phone as without one, probably better. True modernity, Mr Gupta writes, entails adhering to universal norms, upholding individual rights, making the state accountable. His book pleads with India to put modernisation in place of "westoxication".

There is nothing here that true globalisers would not support, with enthusiasm. Their argument with the antis is really about money. Mr Gupta and others who are suspicious of reform seem to share the high-minded attitudes of India's first prime minister, Jawaharlal Nehru, who once told J.R.D. Tata, head of the country's most respected business house, that profit is "a dirty word". To take a more recent example, Arundhati Roy, India's Booker-prize novelist, not long ago wrote a long and impassioned article in one of India's weekly magazines portraying capitalists, especially foreign ones, as plunderers.

Mr Das, on the other hand, thinks that capitalism will cure many of the ills that Nehru's socialism compounded. The cosy corruption of old Indian business habits cannot withstand competition, he suggests. Although the commercial *bania* caste was useful in kick-starting Indian capitalism, Mr Das points out that in a liberalised economy governed by rules rather than patronage, companies cannot afford to hire employees on the basis of caste. As for poverty, contemporary India's worst blight, education will spread the benefits of economic growth to the masses.

One problem supporters of reform face is that its effects do not look very egalitarian, especially in an Indian context. Indians disagree whether the past decade of halting reform has reduced poverty. No one disputes that it has thrown up a vulgar, sharp-elbowed new middle class. Mr Gupta, with a tweedy disdain, has made its members the villains of his book, not without reason: many dodge taxes and welcome the stark difference of income that ensures an endless supply of cheap servants. Mr Das nevertheless concludes that "whether India can deliver the goods" will depend a great deal on this new middle class.

Despite its occasional repetitions, "India Unbound" is not only more persuasive but more enjoyable. Mr Das, whose career spanned the darkest and brightest eras in Indian economic policy, tells much of his story autobiographically. When he was manager of the Vicks VapoRub brand in India, flu epidemics posed absurd dilemmas: should he boost production beyond licensed limits (a punishable offence) or leave market demand unsatisfied?

Mr Das looks back to the rise of Indian business families, some of which often began with enterprising young men outwitting British monopolists, and offers management advice to their heirs, many of them now addled by decades of planning and protection. His real interest, though, is in the info-tech companies that sprang up in the 1990s. They are India's chance to achieve the rates of growth and poverty reduction that East Asia accomplished through manufacturing, or so Mr Das and many other IT-besotted Indians believe.

Though Mr Gupta prefers sovereignty to success, he makes good observations about the grip of tradition. India's tendency to throw up humanitarian heroes like Mahatma Gandhi and Mother Teresa is a sign of weak institutions, he believes: where these are stronger, saints are less needed to protect the weak. Women stand out in South Asian politics, he explains, because they are assumed to lack characters of their own and can take on the charisma of their (often martyred) husbands or fathers. All in all, however, his book relies too much on the author's opinions and too little on his expertise.

Mr Das's faith that IT plus education will restore India to greatness and prosperity can sound over-hopeful. And he mentions only in passing the urgent needs of agriculture, which continues to occupy two-thirds of India's people. But his book is informative, entertaining, and basically correct about India's need to embrace capitalism more whole-heartedly, for all the costs and risks. ■

INTERNATIONAL IDEA INSTITUTE FOR DEMOCRACY AND ELECTORAL ASSISTANCE

International IDEA (The International Institute for Democracy and Electoral Assistance) promotes and advances sustainable democracy and strives to improve and consolidate electoral practices world wide. International IDEA is an intergovernmental organisation founded in 1995 with 19 member states and 5 international NGOs as associate members. Independent of specific national interests, International IDEA provides a forum for interaction and experience sharing among a wide variety of global actors involved in democracy promotion. International IDEA is based in Stockholm, Sweden, and currently employs 65 staff from 30 countries. Due to expected growth, applications are now sought for the following position:

Deputy Secretary-General

Duties and Responsibilities

Under the overall authority of the Secretary-General the Deputy Secretary-General (DSG) shall:

- Assume the operational leadership within the Institute, and be responsible for all operational aspects of its work with particular attention given to:
  - Institutional programme planning and monitoring with a view to ensuring integrated programme planning and co-ordinated programme implementation;
  - Financial management co-ordination;
  - Human resource planning and management;
  - Development of appropriate management information systems.
- Play a key co-ordination role in the Management Committee (MC), particularly in its development and maintenance as a self-managed, decision-making body providing regular and timely operational guidance throughout the organisation
- Act as a main policy adviser, together with other members of the MC, to the Secretary-General, on strategic matters for the Institute
- Assume supervisory responsibilities for all operational staff of the Institute, including programme and support division directors

Qualifications and skills

- Proven management and team-building skills
- Strong communication and presentation skills, written and spoken
- Extensive experience in managerial positions in an international/intergovernmental organisation or a governmental organisation that deals with international affairs
- Ability to operate effectively in a multi-cultural environment, be gender-sensitive
- Advanced university degree in international relations, political science, law or related fields
- Fluency in English, any other languages an advantage

Visit our web site: http://www.idea.int for the full job details.
Copies of Vacancy Notice 01/05 may be obtained from Ms Kristiansen
Telephone +46 8 6983725, Fax +46 8 20 24 22,
applications may be addressed to m.boudard@idea.int
or IDEA 103 34 Stockholm, Sweden.

Deadline 15 March 2001

Falkland Islands Government

Economic Adviser c£50,000 + 25% gratuity

(two year contract)

The Falkland Islands is an Overseas Territory of the United Kingdom, self-sufficient in all government services other than defence. GNP is around £55 million, with a population of 2600. Principal industries are the offshore fishery, and wool, with future potential in tourism and in minerals exploration.The fishery nets government around £25 million pa, and offers scope for considerable development. Agriculture earns around £2.4m pa but is heavily subsidised, and is undergoing diversification. Economic development initiatives are promoted by a Falkland Islands Development Corporation.

The Economic Adviser reports directly to the government's Chief Executive, as the senior economist. He or she gives "macroeconomic" advice, but will be particularly involved in assessing and guiding economic change in the principal industries. For this reason, we are keen to recruit a senior economist with successful experience ideally in fishery, or our other businesses, as well as having some public sector experience. Postgraduate qualifications would be advantageous.

The post is for two years in the first instance. Benefits include a world class environment, relocation and education grants, flights home and favourable tax rates, and a 25% terminal gratuity.

Further details from **Falklands Islands Government Office, 14 Broadway, London,** Tel: 020 7222 2542, Fax: 020 7222 2375, email recruitment@figo.u-net.com. To discuss the job, email or telephone the Chief Executive, Michael Blanch mblanch@sec.gov.fk, Tel: (500) 27110.

Closing date for all these applications is Monday 12 March 2001.
Interviews will be held in London after Easter.

State Government Victoria
Department of Education, Employment and Training

DIRECTOR

VICTORIAN QUALIFICATIONS AUTHORITY

The State Government has announced a revamping of Victoria's public education and training authorities which includes the establishment of a new Victorian Qualifications Authority, (Victoria, a state in Australia).

The Director of the Victorian Qualifications Authority will manage and provide strategic direction to the Office of the Authority to facilitate the achievement of its objectives.

The objectives of the VQA are to:

- develop and monitor standards for education and training after year 10
- ensure and support appropriate linkages between qualifications, and
- facilitate procedures to make it easier for people to re-enter education and training and to acquire qualifications throughout their lives.

The Director will be required to provide authoritative and timely advice and report to the Minister on post compulsory education and training courses and qualifications. The Director will possess a genuine ability to manage people in an educational context and a proven capacity to liaise effectively with senior management, heads of related authorities within the portfolio and of educational institutions (at a state, national and international level), and members of the education and training and business communities.

Normal State Government Executive contract arrangements would apply. It would be a requirement for the successful applicant to sign an employment contract for a period of up to five years.

Further enquiries should be referred to Kathy Townsend on (613) 9639 5966.

Written applications should be lodged by **Friday 9 March 2001** with Kathleen Townsend Executive Solutions, Level 12, 30 Collins Street, Melbourne, 3000, Australia.

northumbria

Appointment of Vice-Chancellor

The University of Northumbria is recognised as the leading post-1992 university. With 22,000 students in higher education located on four campuses, Northumbria's income exceeds £100 million. The requirement is to appoint a Vice-Chancellor from September, 2001.

Northumbria seeks an outstanding leader with strategic vision and a proven track record of personal achievement, in running large, complex enterprises, ideally in higher education. Building on a record of widening access to higher education, whilst maintaining excellent quality, Northumbria is ambitious for the future. Successful candidates must have the stature, presence and management style to lead Northumbria in a fast-changing, global educational and business environment and to be able to inspire, amongst other things, the creative generation of new and additional sources of income, in support of the University's academic objectives. Possessing excellent internal and external communication skills, he/she must be an effective ambassador for the University, regionally, nationally and internationally.

This is a highly challenging position for exceptional candidates who possess the determination and commitment to lead Northumbria, building upon an existing dynamic culture of excellence and enterprise and taking the University forward to new dimensions of success.

Requests for further information, and subsequently applications, in the form of a comprehensive CV and covering letter including remuneration details, should be made to: Claire Lane, Heidrick & Struggles, 100 Piccadilly, London W1V 9FN. Fax: 0207 491 5991 Email: lac@h-s.com.

Closing date for applications is: Friday 16 March 2001.

UNIVERSITY of NORTHUMBRIA at NEWCASTLE

HEIDRICK & STRUGGLES
MORE THAN 70 OFFICES WORLDWIDE

United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署

PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE

ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

UNEP

GLOBAL ENVIRONMENT FACILITY COORDINATION OFFICE (GEF)

TITLE/ LEVEL/VACANCY ANNOUNCEMENT NUMBER/ DUTY STATION:

(1) Scientific Coordinator, (L-6) NA-01-05 Geneva
(2) Programme Officer (Asia/Pacific), (L-4) NA-01-03 Geneva
(3) Programme Officer, (Latin America and the Caribbean), (L-4) NA-01-04 Geneva
(4) Programme Officer (Africa), (L-4) NA-01-02 Nairobi
(5) Programme Management Officer (Fund Management), (L-3) NA-01-06 Geneva

DURATION OF PROJECT: Three and a half years
DEADLINE FOR APPLICATIONS: 28 February 2001

The United Nations Environment Programme (UNEP) is seeking to recruit a team of 5 highly qualified and dedicated professionals for the implementation of a Biosafety Project financed by the Global Environment Facility aimed at assisting 100 eligible countries to prepare for the entry into force of the Cartagena Protocol on Biosafety. The project will entail providing assistance to governments to develop their National Biosafety Frameworks as well as promoting regional and sub-regional cooperation.

The team, co-located between Nairobi and Geneva comprises a Scientific Coordinator at L-6 and three Programme Officers at L-4 for Africa, Asia/Pacific, and for Latin America and the Caribbean Regions and a Programme Management Officer (Fund Management) at L-3.

An internationally competitive salary and benefits at standard UN rates will be offered.

For more information visit the UNEP's web page at http\\www.unep.org
or e-mail: gefinfo@unep.org

Interested applicants are requested to send detailed CV before 20 February 2001 to the Chief of Classification and Recruitment Section, Human Resources Management Services, United Nations Office at Nairobi (UNON), P O Box 67578, Nairobi, Kenya. Fax: (254) 2 524212/624

IN ALL CORRESPONDENCE/INQUIRIES PLEASE QUOTE THE RELEVANT VACANCY ANNOUNCEMENT NUMBER.

IAMA

The International Food and Agribusiness Management Association, IAMA, is a Worldwide Educational Forum which brings industry leaders from all segments of the global food chain together with the teaching and research faculties of over 100 universities and government policy makers. Through an annual World Food and Agribusiness Forum, publications, and professional networks, IAMA fosters the discussion and examination of the critical ideas and technologies needed to create a highly productive and efficient food system that is responsive to the needs of consumers across the globe. To substantially expand its contribution to those goals, IAMA is seeking to fill the position of **Executive Director** (chief administrative officer), with the responsibility for directing all program and administrative activities of IAMA.

Principal functions of the Executive Director include:

- Engage the Board and membership in establishing and implementing policy;
- Active pursuit of membership growth and fund-raising to support IAMA programs;
- Develop and produce the annual IAMA global educational forum;
- Expand the global reach of IAMA through active networking with related organizations and businesses.

Requirements/Qualifications: The Executive Director will bring significant experience (minimum of 10 years) at the senior executive level of industry, academia, or government, providing established networks and knowledge of the global agribusiness and food industry.

- Demonstrated excellence in leadership skills, knowledge, and experience working with business executives, university faculty, researchers, and government officials;
- Knowledge of the global food system and an appreciation for many different cultures;
- Ability to recruit new members and motivate current members in achieving IAMA goals;
- Strong positive approach to expanding corporate membership and sponsorships through demonstrating the value of a global professional, membership based organization;

Compensation Package: $100,000 to $135,000 USD commensurate with experience plus health and retirement benefits. The IAMA Business Office is located at Texas A&M University, College Station, Texas, U.S.A. The Executive Director may choose to locate at this office or to work from another location, subject to the approval of the Board.

Contact and Application: Application deadline is March 3, 2001. Interested individuals should send a letter of application (2 page) along with a résumé. The letter should state clearly the applicant's qualifications, and brief statement of philosophy or approach to the Executive Director's role of IAMA. The letter and résumé should be in MS Word or WordPerfect format and submitted electronically to the attention of Russell Garrett at iama@tamu.edu. <http://www.ifama.org>

The University of Maastricht (UM) is famed for the uniquely small-scale, stimulating and self-motivating approach of the teaching provided (problem-based learning). The UM is highly international in its orientation. Research is multidisciplinary and approached thematically.
The UM boasts seven faculties: Medicine, Health Sciences, Law, Economics and Business Administration, General Sciences, Arts and Culture, and Psychology. It has a student population of around 11,000 (of which some 15% are from abroad) and 3.000 employees. The Faculty of Economics & Business Administration offers study programmes in (Fiscal) Economics, Econometrics and International Business Administration. In addition, the postgraduate courses (International) Controller and Accountancy are taught and an MBA programme is available that is jointly organized with the Haus der Technik. The revision and renewal of the economics and business administration programmes, which are largely taught in English, plays a pivotal role within the faculty. Recently, a new programme called Infonomics was launched. Next to the English language programmes offered, the international orientation of the university is also evidenced by the numerous exchange facilities with universities abroad. The research performed by the faculty is concentrated mainly in the METEOR research school. METEOR is largely focussed on the functioning of organizations. The research institutes of ROA and MERIT are also part of the faculty.

Universiteit Maastricht

Professor of Business Administration/ Economics f/m

40 hours a week

METEOR, the research school of the Faculty of Economics and Business Administration of the Universiteit Maastricht, is inviting applications for a Professor of Business Administration/Economics.

- **Tasks:** As the position will play an important role in stimulating METEOR's research environment, candidates have shown to be team workers in research. Experience with attracting research funds would be an advantage. Finally, regarding education, experience with problem-based learning would also be an advantage.
- **Required:** The candidates for this position belong to the best performing researchers in their area. While all researchers active in the broad themes of METEOR can apply, typically candidates will have a background in one of the following areas: accounting, finance, marketing, micro-economics, organization or strategy. Requirements are a dissertation and an established record of publications in the international journals in their field.
- **Salary:** Competitive.
- **Information:** Professor Steven Maijoor, director of METEOR (+31 43 388 37 83; s.maijoor@marc.unimaas.nl) or professor Franz Palm, dean of the Faculty (+31 43 388 38 33; f.palm@ke.unimaas.nl). Further information can be found at http://www.fdewb.unimaas.nl/meteor.
- **Vacancy number:** AT2001.037

Professor of Industrial Organization f/m

40 hours a week

Also, the Faculty of Economics and Business Administration is inviting applications for a Professor of Industrial Organization.

- **Tasks:** The full professor of industrial organization shares overall responsibility for, and is expected to provide an important contribution to, education, research and administration at the Organization Studies Group within the Department of Management Science.
- **Required:** Applicants are expected to have an excellent track record in teaching and research in the field of (empirical) industrial organization and interest in the related disciplines of organization science and (international) business administration.
- **Salary:** Competitive.
- **Information:** Professor Christophe Boone (+31 43 388 38 06; c.boone@mw.unimaas.nl) or professor Franz Palm (+31 43 388 38 33; f.palm@ke.unimaas.nl). Further information can be found at http://www.fdewb.unimaas.nl/meteor.
- **Vacancy number:** AT2001.038

Opting for the UM means opting for an innovative environment offering ample opportunity for individuality in work and working methods, as well as regard for personal development. The UM is seeking to achieve a variegated workforce with a proportional number of women represented on every level. It goes without saying that the employment conditions, which include parental leave and day care options, are outstanding.

Applications should be submitted within two weeks to: University of Maastricht (please state the number of the relevant vacancy on letter and envelope) PO Box 616, 6200 MD Maastricht, or to the e-mail address provided.

Information about the UM and UM vacancies can be found at: **http://www.unimaas.nl**

UNIVERSITY OF AMSTERDAM

Faculty of Economics and Econometrics
Department of Economics

The Faculty of Economics and Econometrics, Department of Economics invites applications for the position of an Assistant Professor of International Economics.

Assistant Professor of International Economics (F/M)

The appointment will be a full-time position, with a possibility for tenure. The salary will be based on qualifications and experience, with a maximum of Dfl. 9,150 gross a month.

Application:
Applications, together with a Curriculum Vitae, research papers and two recommendation letters, should be submitted within three weeks of appearance of this advertisement to:

The Personnel Department
Faculty of Economics and Econometrics
University of Amsterdam
Roetersstraat 11
1018 WB Amsterdam
The Netherlands

Information:
For further information, please contact Professor H. Jager, phone +31 20 525 4195, e-mail: jager@fee.uva.nl
For more information about the UvA: www.uva.nl
For more information about the Department of Economics: www.fee.uva.nl/ae

Economist/Financial Journalist

Bright economist with ability to write quickly and interestingly about monetary policy and other central banking topics required to join small team launching new on-line service for financial market participants worldwide. Good economics degree and two years' experience as financial journalist/financial analyst or similar essential. Great opportunity to join exciting new venture. Salary negotiable.

Write to:

Managing Director, Central Banking Publications Ltd
6, Langley Street, London WC2H 9JA
e-mail:rpringle@centralbanking.co.uk

Privatisation Transaction and Chemical Industry Experts

A leading U.K. consulting firm seeks European experts for long- or short-term participation in a privatisation project in Egypt. Experienced specialists in the following fields are invited to immediately apply:

- Privatisation transactions/negotiations
- International and Egyptian law
- Financial advisory and valuation
- Management information systems
- Distressed company/turnaround management
- Training and human resources redeployment
- Chemical and manufacturing industry specialists

All candidates must have prior experience in privatisation and corporate restructuring in the chemical industry. Knowledge of Arabic and international donor project experience in Egypt is a significant advantage.

Please apply **before 24 February** to e-mail: **EgyptPriv@Consultants.at**
Fax: +44 20 8846 4336

undp

UNIFEM
United Nations Development Fund for Women

Adviser, Gender Budgets

Within the Governance Section, the Gender Budget Adviser will support the implementation of a global gender budget initiative. Responsibilities include programme development and support to country offices in more than 20 in-country initiatives, involving global monitoring, evaluation, reporting and documentation, and support to the development of tools and capacity building activities. The Adviser will liaise with partner implementing institutions, support a Global Advisory Committee, coordinate strategic linkages with international and regional financial institutions, and develop partnerships with other relevant non-governmental organisations.

Candidates will have a post-graduate degree in Economics, Finance, Development or a related field. At least eight years of development-related work dealing with gender issues and project and programme development, and experience and/or strong networks in more than one major geographic area. Good knowledge and contact with specialist agencies, intergovernmental organizations and NGO networks worldwide. A proven track record in programme implementation and management in working on women's empowerment issues would be a distinct advantage. Fluency in English and either French or Spanish required.

The United Nations Development Fund for Women (UNIFEM) provides financial and technical assistance to innovative programmes and strategies that promote women's human rights, political participation and economic security. UNIFEM works in partnership with UN bodies, governments and non-governmental organizations and networks to promote gender equality.

Please send CV or UN Personal History Form (P11) to the attention of Sally Campbell, in English, by fax: (1-212) 906-6705 or e-mail: sally.campbell@undp.org. **Deadline for submissions is 2 March 2001.** Only short listed candidates will be contacted. For more information about UNIFEM's governance programme, see http://www.unifem.undp.org

Accountable

Oxfam works with others to find lasting solutions to poverty and suffering.

POLICY ADVISER – FINANCE & SOCIAL POLICY

Oxford **36 hours p.w.**
£24,500 **Contract: 4 years**

We seek a social economist to contribute to work on a wide range of poverty issues, including social sector financing, international markets, financing for development and economic reform. Leading the research and advocacy work of the team, you will focus on the themes of improving access to basic services and making markets work for the poor, working with colleagues globally and in Oxford. You will also represent Oxfam at the highest level with external agencies and the media.

Highly motivated, with excellent research and communications skills, you will be educated to Masters level in economics or social science, with proven ability in complex economic policy analysis. Specialist knowledge in the field of finance and social policy, market reform and poverty reduction is essential, and a clear understanding of development issues, including a strong gender perspective, is expected.

Closing date: 2nd March 2001

Reference: ID/POL/PA/RB

For further details, please send a large SAE, quoting appropriate reference, to: International Human Resources, Oxfam, 274 Banbury Road, Oxford OX2 7DZ, or e-mail: ihrapps@oxfam.org.uk

Oxfam

www.oxfam.org.uk Diversity The difference starts with you

SUFFOLK UNIVERSITY

Dean, The Frank Sawyer School of Management

Suffolk University invites nominations and applications for the position of Dean for the Frank Sawyer School of Management.

The Dean is the chief executive officer of the School and is responsible for the faculty and programs, administrative staff, facilities, and budget.

Suffolk University consists of three faculties, the Law Faculty, the Faculty of Arts and Sciences, and The Frank Sawyer School of Management. The Sawyer School serves over 1,000 undergraduate students and 1,200 graduate students and offers 56 undergraduate and graduate degree, and certificate programs and is one of 300 schools nationwide named in Barron's Best Buys in College Education. There are more than 60 full-time faculty members, 95 percent of whom hold Ph.D. degrees, giving the Sawyer School of Management one of the highest faculty Ph.D. ratios in the country. The University has innovative programs built on scholarship and is responsive to the market demand for graduates. The University is incorporating new technology, including an online MBA program, to reach wider markets and to enhance the excellent service to their traditional student body. The University is located on Boston's historic Beacon Hill as well as other locations in the Boston area and abroad.

Qualifications: The Dean for The Frank Sawyer School of Management provides leadership to a diverse and innovative community that values excellence in scholarship and teaching, in a culture of cooperation, teamwork, transparent and fair processes of accountability and rewards, and continual change. It is desired that the Dean have an academic record that merits a senior tenured appointment to the Faculty of Management. The successful candidate will have a record of distinguished scholarship and administrative accomplishments; experience in personnel management and fiscal responsibilities; an understanding of the potential of technology to transform the delivery of management education and effective servicing of student needs. The successful candidate will be a dynamic person with a clear vision for management education and research. Preferred candidates will have an earned doctorate or other appropriate terminal credential. Candidates with executive level experience outside of higher education are welcomed.

Nominations and Applications: For best consideration, materials should be submitted prior to March 12, 2001. Review of applications and nominations will begin immediately and will continue until an appointment is made. Application materials should include a letter of application addressing how the candidate's experiences match the position requirements, a curriculum vitae, and the name, title, e-mail, business address, and business and home telephone numbers of at least five references. **Submission of materials as an MS Word attachment is strongly encouraged.** Individuals wishing to nominate candidates for the position should submit a letter of nomination, including the name, position, address, and telephone number of the nominee.

Nominations and applications will be considered in confidence and should be sent to:

Dr. Jan Greenwood, Vice President
AT Kearney, Inc., Suffolk University Dean Search
333 John Carlyle Street, Alexandria, Virginia 22314
greenwoodteam@atkearney.com

Suffolk University is an Equal Opportunity/Affirmative Action Employer
http://www.suffolk.edu/
http://www.sawyer.suffolk.edu/

The Faculty of Arts of the University of Zurich invites applications for the position of

Professor of Comparative Politics

Applicants should have experience in comparative empirical research and knowledge in the field of different political systems. Prerequisite: "Habilitation" or equivalent qualification as university lecturer. The teaching language is German.

A curriculum vitae, a list of publications and further application materials should be sent to:

Dekanat der Philosophischen Fakultät der Universität Zürich, Rämistrasse 71, CH-8006 Zurich, Switzerland.

Application deadline: 13 April 2001

University of St.Gallen

The University of St. Gallen, Switzerland (Graduate School of Business, Economics, Law and Social Sciences - HSG) is seeking a candidate for a

senior position at the Full Professor Level

for its Institute for Technology Management (ITEM-HSG).

ITEM-HSG is a major research institute at the University of St. Gallen engaged in graduate teaching and research in the area of Manufacturing, Quality, Innovation and Supply Chain Management. It employs more than 50 faculty and staff members. The professor is expected to provide academic leadership in the area of Technology Management, with an emphasis on Innovation. Responsibilities include lecturing on the area of Technology Management at the Graduate level, supervising candidates for advanced degrees, spearheading sponsored research projects and industrial research consortia, and providing advanced executive education and international outreach. The candidate is also expected to be involved in the management of the Institute.

Interested candidates should have a Ph.D. or equivalent degree in a relevant area such as business administration or science of engineering, considerable teaching experience, a strong publication record and preferably management experience.

The successful candidate is expected to assume the position October 1, 2001 or at a mutually acceptable date.

Detailed application should include a current curriculum vitae, selected publications and names of references and should be sent to the President of University of St. Gallen, Professor Dr. Peter Gomez, Dufourstrasse 50, CH-9000 St. Gallen, Switzerland.

The application deadline is March 15, 2001. Applications will be kept confidential.

International HIV/AIDS Alliance

Supporting Community Action on AIDS in Developing Countries

The International HIV/AIDS Alliance supports community action on AIDS in developing countries. To support the growth of our work, we are recruiting the following two new positions in our UK secretariat:

Regional Co-ordinator: Latin America @ £40-45,000 plus excellent benefits. Candidates should have strong technical skills in community based HIV/AIDS programming and fluent **Spanish** (knowledge of Portuguese would be advantageous).

Field Support Manager: Finance @ £30-35,000 plus excellent benefits. Candidates should have strong skills in finance, management and accounting. Excellent **Spanish** and **French** required (Portuguese advantageous).

Application deadline **Friday March 23rd.**
For an information sheet about these posts and the Alliance, email: edix@aidsalliance.org

---

USA Management Consultants

Challenging, exciting positions for MBA's from top business schools with minimum 3 years experience.

To work in leading American Consultancies.

We arrange interviews, visa and relocation.

International Employment and Training Ltd
45 High St, Tunbridge Wells, Kent TN1 1XL, UK
Tel: 01892 516164
Email:info@jobsamerica.co.uk
www.jobsamerica.co.uk

***** WORK IN USA *****

195,000 EMPLOYMENT VISAS Available!
IT Professionals, Engineers, Accountants, etc.,
also, Affiliates (Recruiters) Welcome!!
Free Info! Send: Name & Address
Certified Worldwide LLC - Code # EC
P.O. Box 1829, Agoura Hills
California 91376-1829 USA
Fax: +1 818-879-9886 - Attn: WorkVisa
WorkVisa@GreenCardSpecialists.com
www.GreenCardSpecialists.com

Readers are recommended

to make appropriate enquiries and take appropriate advice before sending money, incurring any expense or entering into a binding commitment in relation to an advertisement. The Economist Newspaper Limited shall not be liable to any person for loss or damage incurred or suffered as a result of his/her accepting or offering to accept an invitation contained in any advertisement in the Economist.

BUSINESS OPPORTUNITIES

START YOUR OWN
CASINO

Become owner of Internet Casino!
Best terms on the Web!
www.SALECASINO.COM

OFFSHORE BANK FOR SALE

Offshore Banks Beginning @ US$35,000
415.383.6200 (In US) 888.477.3030
E-mail: info@ownabank.com
www.ownabank.com
MADERA GROUP INC

BUSINESS TO BUY

Canadian investor seeks to purchase a controlling interest in a small, profitable E.U. business in manufacturing or service sector. Confidentiality assured.

Please mail reply to:
ME LORNE H. MARCHAND, ADVOCATE
1 Westmount Square, Suite 1400
Westmount, Quebec, H3Z 2P9
or email: lornemarchand@qc.aibn.com
fax: (514) 934-0227

Your reply by email would be appreciated.

BUSINESSES FOR SALE

EU-US Business Organization

Delivers full service consulting to European or American companies that are considering entering markets on the other side of the Atlantic. Many of our clients do business in the following areas: *Multimedia, IT, E-commerce, Bio-tech/High-Tech life sciences, Venture Capital Consulting, Franchising.* **www.eabo.org**

Tel: **212-972-3035** Fax: **212-972-3026** racial and other group lines (there was a gay team, for instance) to improve audience identification with the sides. The whole thing was, of course, hugely popular.

Gillingham,
Kent BRIAN DITCHAM

Israel's future

SIR—You criticise Ehud Barak's peace plan as not having worked, and Ariel Sharon's as being unworkable ("Saying no to peace", February 3rd). Fair enough; but Yasser Arafat has never submitted a peace plan of any kind, and has no intention of doing so. Why not criticise him?

Like any fully functioning democracy, Israel has its extremists, whom you label "crazies". Israel does a good job of marginalising its crazies. By contrast, the nearly two-dozen Arab governments, including Mr Arafat's dictatorship-in-waiting, have no problem with political crazies. They also have no democracy, no representative elections, no free speech or free press, etc.

You denigrate as "myth" the heartfelt Jewish belief "that Jerusalem should be Israel's eternal, undivided capital." Some two decades before the state of Israel was recalled to life in 1948, Arthur Balfour suggested to his friend Chaim Weizman that a Jewish homeland might be established some place other than in biblical Israel. Weizman asked Balfour if he, as an Englishman, would exchange London for Paris. "But we have London," protested Balfour. "Yes," answered Weizman. "And when London was a swamp, we had Jerusalem."

Miami MILTON HIRSCH

SIR—Ariel Sharon has not made public his plans for the occupied territories but it is likely that the present policies of collective punishment against Palestinian civilians and expansion of illegal settlements will continue. It is therefore important to restate Israel's obligations under international law.

On many occasions the international community has reaffirmed in the UN General Assembly and Security Council that Israel is an occupying power of Gaza and the West Bank, including East Jerusalem, and bound by the fourth Geneva Convention. This guarantees protection to Palestinian civilians in the occupied territories against torture, killings and the use of excessive, indiscriminate and disproportionate force, land confiscation and demolition of homes, and other measures whether applied by civilians or soldiers.

A new era of Israeli compliance with international law and respect for the human rights of Palestinians under its occupation is the only basis for progress. Such an era will not dawn if the international community continues to treat Israel as if it had a special dispensation to ignore its international obligations. We call on the British government, acting with its EU partners, to take a leading role in implementing practical measures to ensure Israel's adherence to the convention.

DANIEL MACHOVER
Lawyers for Palestinian
London Human Rights

Green and pleasant

SIR—You ask how prosperity and greenery are related ("Green and growing", January 27th). Yale University's Environmental Sustainability Index is certainly a commendable effort but is too complicated. The environmental intensity of economic activity, increasingly industrial activity, is the variable we have to control. Fortunately, there is a link between this imperative and greenery. The flip side of environmental intensity is eco-efficiency and resource productivity—concepts linked directly to competitiveness and open-market policies. Simple perhaps, but on target. Hard as it may be to accept, the global drive for competitive advantage may have within it a powerful driver toward sustainability—increasing efficiency and productivity.

OWEN CYLKE
Director
The Policy Group
US-Asia
Environmental
Washington, DC Partnership

Catholic taste

SIR—The sad situation of the Catholic church ("Between this world and the next", January 27th) follows from the expectation that mere good intentions produce good solutions. On the contrary, what is needed is the application of rigorous and honest intellectual discipline. It has been believed, and still is, that such modish terms as "participation", "community" and "solidarity" would reinvent the church from the bottom up; and that other terms such as "ecumenism", "tolerance" and "understanding" would animate a moral and philosophical awareness. It has not happened. What has happened is a marginalisation of the church because it is perceived as both sentimental and authoritarian. It does not teach, it dogmatises; it does not guide, it confuses; it is no longer convincing nor uplifting, it has become an excuse to practice a faith on one's own terms.

The church has a role to play which goes beyond boldness or prudence and which relates to and is supportive of individuals faced with problems differently defined from even 25 years ago. Contraception is no longer a question of personal morality but is a matter for AIDS and the developing world; abortion is less a question of life than of feminine dignity; euthanasia relates not so much to death and murder as to charity; fears of genetic engineering are not to be exploited, they need a church to provide objective answers. These will not come from "below"; as diktats they will not be accepted.

Chazemais,
France J. LE CLERCQ

SIR—You do not address the main problem of the vast institution that is the Catholic church. It is a most un-Christlike creation. Though founded on the teachings of Jesus it has lost its origins and has become irrelevant and unrecognisable. Jesus has been smothered by droning liturgies, lavish cardinals' robes, the hierarchy surrounding the "Vicar of Christ" and pagan incense pots swinging down the aisles. If there was to be a second coming, Christ would not fit in at all.

Greensboro,
Georgia EDWARD RAPP

Reflating Japan

SIR—You repeat two common fallacies about reflating Japan's economy ("Coming out of denial", February 3rd). First, you claim that bond prices will collapse if the Bank of Japan raises its inflation target. This is not necessarily true, and depends on the difference between the inflation target chosen and the market-clearing real rate of interest, which in a liquidity trap is always negative. An inflation target of, say, 2%, might be too low to bring about a savings-investment balance if Japan's equilibrium real interest rate is, say, minus 2%. The result would be a short-term interest rate that remains near zero throughout the life of a long-term government bond.

Second, you claim that the Bank of Japan would suffer financial losses if it bought bonds whose yield subsequently rose because of rising inflation expectations. This also is untrue. The Bank of Japan would buy bonds yielding 1.5% with its own freshly minted money, which is a zero-coupon perpetual liability. Held to maturity, this generates a seignorage gain of 1.5% per year.

Hatfield, PETER
Hertfordshire VON MAYDELL

Saving the surplus

SIR—Lexington's objections to tax cuts in America are theoretically sound but not practical (February 3rd). The reason for separating Washington politicians from a budget surplus is the same as for separating male and female school children on an overnight outing: there is a force of nature involved that does not always lead to rational behaviour.

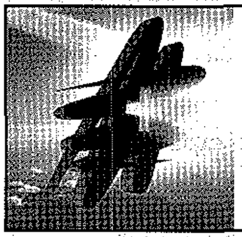
As Congress goes through a process of "surplus awareness" the excitement will be too much and reason will not be brought to bear on fiscal policy. The problems facing Social Security and Medicare will not be addressed and a myriad of new problems and long-term consequences will be created. "Irrational exuberance" can manifest itself in fiscal policy as well as financial markets. I suspect Alan Greenspan's convoluted support of a tax cut is a pre-emptive strike.

Tokyo CHRISTOPHER HELD

Nugget of information

SIR—With BSE and the price-influencing European policy response, the Big Mac index (January 13th) must have lost some of its edge to gauge the competitiveness of the euro. Perhaps this is a good moment to switch to the Chicken McNugget index. Or would that be too reminiscent of the gold standard?

Washington, DC LUC EVERAERT



EUROPE'S LEADING LIGHT

Crossair of Switzerland, Europe's largest regional airline offers more than 28 daily departures from the UK and Ireland to Switzerland. In addition, Crossair also offers a network that encompasses over a 100 destinations in over 30 countries through its EuroCross hub at EuroAirport Basel.

The Qualiflyer Group

CROSSAIR

For further information contact your local travel agent or, +44 845 607 3000, www.crossair.com

LONDON

Quality serviced apartments offering best value for money. Our apartments offer great savings compared to hotels. Fully serviced, private bathroom, kitchen, TV, telephone, central heating, elevator.

Centrally located in Kensington area.

Tourist Board Approved

Ashburn Garden Apartments
3 Ashburn Gardens
South Kensington, London SW7 4DG, UK
www.ashburngardens.co.uk
info@ashburngardens.co.uk
Tel: ++44 207 370 2663
Fax: ++44 207 370 6743

CUT THE COST OF YOUR STAY IN LONDON

Comfortable self-contained serviced studio flats in Knightsbridge near Harrods, fully equipped kitchen-dinette, bathroom, phone, satellite T.V., central heating, elevator, maid service, resident manager. Suit 1-2 persons.

Brochure by Air-Mail:

Knightsbridge Service Apartments
45 Ennismore Gardens,
London SW7 1AQ.
TEL: 020 7584 4123
Fax: 020 7584 9058.
info@ksflats.demon.co.uk
www.ksflats.demon.co.uk

Beautifully Appointed Georgian House at Harbour Side
Uniquely situated overlooking Atlantic on Connemara coast
Five ensuite double rooms; all mod. cons

For details: call Dublin, Ireland (00-353)-1-668 2800
Email: PatrickWilliams@economist.com

BUSINESS & PERSONAL

Offshore Companies

FROM THE WORLDS No. 1 PROVIDER

- Incorporation services in more than 100 jurisdictions
- Personalised tax planning
- 750 ready-made companies
- Licenced trustee services
- Nominee services
- Management & admin services
- Asset protection trusts
- Accountancy and audit services
- Ship & Yacht registration
- Patent registration

FOR OUR 110 PAGE COLOUR BROCHURE CONTACT
CW Forster (Director)

OCRA WORLD WIDE

ALL MAJOR CREDIT CARDS ACCEPTED

Grosvenor Court, Tower St., Ramsey,
Isle of Man, IM8 1JA, Great Britain
TEL: +44 1624 815544
FAX: +44 1624 817080
E-mail: economist@ocra.com

LONDON - Jon Dixon
Tel: +44 20 7317 0650
Fax: +44 20 7317 0651

LUXEMBOURG - Eveline Karis
Tel: +352 224 286
Fax: +352 224 287

FINLAND - Jenny Kumpulainen
Tel: +358 9 6969 2569
Fax: +358 9 6969 2565

HUNGARY - Laszlo Kiss BSc (Econ)
Tel: +36 1 351 9959
Fax: +36 1 351 9958

CYPRUS - Anastasia Yiannakou MBA
Tel: +357 2 673 211
Fax: +357 2 673 463

MADEIRA - D Fiske De Gouveia
BSc MBA MSL MM CIA IDA
Tel: +351 291 201700
Fax: +351 291 227144

SINGAPORE - Florence Nathan ACIS
Tel: +65 535 3382
Fax: +65 535 3991

HONG KONG - Raymond Choi
MBA MLLA (Cp)
Tel: +852 25220172
Fax: +852 25211190

USA - AICS Ltd - Kevin Mirecki
Tel: +1 714 979 9344
Fax: +1 714 979 3300

Freephone From UK:
0800 269900
Freephone From USA:
1 800 283 4444

26 Offices Worldwide

www.ocra.com

ISO9002 94 Certificated • A member of the Estate and General Group established in 1935

APPOINTMENTS

SENIOR INTERNATIONAL SALES REPRESENTATIVE - JAPAN

Are you a Tokyo-based sales executive seeking a new challenge with an established global company? Euromonitor requires a Sales Representative to exploit opportunities for selling our premium internet-sited information products in Japan. You are a highly self-motivated sales professional with a proven track record for selling in the business-to-business arena, and will have the tenacity, drive, commercial awareness and persuasiveness to find the right contacts and sell product benefits. Experience in account management, organisation skills and an understanding of corporate purchasing dynamics would all be added advantages. Fluency in Japanese and English are essential.

If you can prove you are an ambitious, tenacious, target-driven individual with a proven sales record then we want to hear from you.

In return we can offer you a unique opportunity to further your international sales and account management career, with a high basic salary and an uncapped commission structure (OTE up to ¥9 million), as well as an excellent training and development package.

For immediate consideration, please send your cv, together with cover letter indicating salary history and requirements, to Marc Berman, 60-61 Britton St, London ECIM 5UX, or email marc.berman@euromonitor.com, quoting reference IMISJP001.

EUROMONITOR

One of the world's leading business information providers

LETTERS

The Economist, 25 St James's Street, London SW1A 1HG FAX: 020 7839 2968 E-MAIL: letters@economist.com

Bush and abortion

SIR—To say that George Bush's re-instatement of the "Mexico city policy" ("Trench warfare", January 27th) was not "particularly harsh in its impact" is an insult to the women, men and children who will suffer as a result. You have to live in a country where women can get safe and legal abortion to say something as casually dismissive as "in many parts of the developing world abortions are illegal anyway." This ignores the fact that unsafe abortion, particularly prevalent in those countries, kills thousands of women every year, and that it is precisely the programmes that the Mexico city policy hits the hardest that have the best prospect of saving those lives.

The policy is known as the "global gag rule" for the restrictions it places on the way organisations outside America use their own money. It stops people speaking out about abortion, whether it is to advise a woman about options open to her or democratically trying to stimulate a change in the law. This is nothing less than an affront to the principle of free speech, as guaranteed in America's constitution, and ironically will hurt those activities that reduce the demand for abortions worldwide by providing contraception.

The gag rule forces overseas community-based organisations like the International Planned Parenthood Federation (IPPF) to make an impossible decision: forgo desperately needed American family-planning assistance or sacrifice their rights and responsibilities regarding their clients. Either choice hurts the world's poorest and most marginalised communities. We had expected to receive $8m from USAID for the period between September 2001 and August 2003. We will now lose this.

The social impact is unmistakable: under the gag rule recipients of American family-planning funds must give up the ability to provide legal health services and the right to take part in important policy debates in their own countries. To place these restrictions on family-planning choices disempowers women and men and, crucially, undermines their efforts to extricate themselves from poverty. That is harsh in anyone's book.

INGAR BRUEGGEMANN
Director General
IPPF
London

Populist Klaus

SIR—I realise that to combine free-market ardour with a Eurosceptical tone, as you think Vaclav Klaus does, can be attractive (Charlemagne, February 3rd). But, alas, Mr Klaus is no free marketeer; indeed, he is the last person deserving the label Thatcherite. He never truly embraced the market. When he privatised the Czech economy his main concern was to keep it in Czech hands. Assets were sold (or, rather, transferred) to individuals and groups who borrowed from the Czechs' state-owned banks. And who got the loans? Political friends of Mr Klaus and his party. Under Mr Klaus not a single bank was fully privatised. Foreign direct investment remained low; the purchase of Skoda by Volkswagen was carried out despite the objections of Mr Klaus.

He is the worst sort of Central European politician, all too common at present, who knows how to play the nationalistic card and conducts politics in a crude and abusive manner. He invariably dubs his opponents, including President Vaclav Havel, as stupid, criminal, elitist, spoiled, middle-class and so on. Of course he does not understand the meaning of "civil society".

Prague JAN HENDRIK SIEMSSEN

Good pint

SIR—I must take exception with the comment made by John Wakely that "when Budweiser goes up against Tsingtao in China, what is the difference except price?" ("The big pitcher", January 20th). His taste buds must have gone walkabout. Your description of Budweiser as "watery fizz" is spot on; Tsingtao, along with Singha beer here in Thailand, has flavour. The only similarity to Budweiser is the fizz bit.

Bangkok PATRICK TAYLOR

People power

SIR—You bring to the fore legitimate concerns about the stability of the new Philippine government and the fate of democracy ("After the B movie, a new main attraction for Filipinos", January 27th). At the crux of the issue is whether the Filipinos judiciously used "people power" this time.

"People power two" might not have advanced the cause of democracy in the Philippines because it impinged upon the constitutional process of impeaching an ineffective and lawless president. Also, it was used not to oust a dictatorship but to eliminate immorality and corruption in government. But I would not fault the Filipinos for what they did. I would suggest, instead, that in the Philippines, as in many developing societies, the meaning and purpose of true constitutional democracy is yet to be adequately understood and appreciated.

For all their moral indignation (admirable in itself), Filipinos must allow democracy to flourish by allowing the rule of law to take hold; by aiming for genuine republicanism wherein leaders derive their authority from the enlightened consent of the governed and rule to promote people's interests over and above their oligarchic interests; by demanding from that government a fulfilment of its duty to secure and maintain individual rights and liberties; and, in the spirit of the principle of separation of church and state, by drawing from the Catholic church moral inspiration and not political agitation.

Burbank, California PRISCILLA TACUJAN

Football commentary

SIR—I am well aware that *The Economist* is a British-based newspaper but this does not forgive or explain all transgressions. You state that the NFL "ties American males to their sofas on Saturdays" ("Rage v Maniax", February 3rd). NFL games are played almost exclusively on Sundays. I suppose I should be thankful that you were able to restrain yourself from prefacing "football" with the modifier "American".

For future reference: baseball is played throughout the week, golf and tennis tournaments tend to finish on Sundays, and at my work our spirited departmental table-soccer outings usually take place on Wednesday evenings.

Evanston, Illinois JULIAN JAMISON

SIR—I read the piece on the XFL league with a sense of déjà vu. In the 1970s an American science fiction writer, Norman Spinrad, wrote a short story based on the concept of a TV network, locked out of mainstream American football, that devised an alternative version of the game to set up its own league unhindered by copyright rules. This began with the kind of (relatively) minor rule tinkerings planned by XFL. It rapidly moved on to a format where player armour was dispensed with, every form of violence possible without actual weapons was licit and, finally, where teams were consciously structured on

ECONOMIC INDICATORS

OUTPUT, DEMAND AND JOBS Germany's industrial output rose by 0.7% in December. Its year-on-year growth quickened to 5.5%. Britain's unemployment, measured by total claimants, unexpectedly fell in January to within a whisker of one million—the lowest in 26 years. In the same month the jobless rate in Canada edged up to 6.9%.

% change at annual rate	GDP			The Economist poll GDP forecasts		Industrial production			Retail sales (volume)		Unemployment % rate		
	3 mths†	1 year		2000	2001	3 mths†	1 year		1 year		latest		year ago
Australia	+ 2.6	+ 4.2	Q3	+ 4.3	+ 3.2	− 1.5	+ 4.2	Q3*	− 0.8	Q3	6.7	Jan	6.9
Austria	+ 1.2	+ 1.9	Q3	+ 3.4	+ 2.4	na	+ 6.7	Oct*	− 1.1	Oct	3.3	Dec	3.6
Belgium	+ 2.0	+ 3.2	Q3	+ 3.9	+ 2.7	na	+ 7.3	Dec*	+ 6.4	Nov	10.7	Jan*	11.3
Britain	+ 1.0	+ 2.4	Q4	+ 3.1	+ 2.5	− 2.9	+ 0.5	Dec	+ 3.3	Jan	5.3	Dec‡	5.9
Canada	+ 4.8	+ 5.0	Q3	+ 4.9	+ 2.8	+ 1.2	+ 4.5	Nov	+ 4.6	Nov	6.9	Jan	6.8
Denmark	+ 2.0	+ 2.7	Q3	+ 2.6	+ 2.1	na	+ 8.6	Dec	− 1.0	Dec	5.4	Dec	5.4
France	+ 2.3	+ 3.0	Q3	+ 3.1	+ 2.6	+ 3.6	+ 2.3	Nov	− 1.5	Dec	9.2	Dec	10.6
Germany	+ 2.3	+ 2.8	Q3	+ 3.1	+ 2.4	+ 0.9	+ 5.5	Dec	− 2.9	Dec	9.3	Jan	10.1
Italy	+ 3.2	+ 2.7	Q4	+ 2.6	+ 2.2	+ 5.9	− 3.3	Dec	− 1.2	Nov	10.0	Oct	11.1
Japan	− 2.4	+ 0.5	Q3	+ 1.7	+ 1.4	+ 1.4	+ 3.8	Dec	− 1.1	Dec	4.8	Dec	4.7
Netherlands	+ 5.1	+ 3.1	Q4	+ 3.9	+ 3.0	+ 8.5	+ 9.4	Dec	+ 2.9	Nov	2.6	Dec§	2.7
Spain	+ 2.2	+ 3.9	Q3	+ 4.1	+ 3.1	+ 0.1	+ 4.4	Dec	na		13.7	Dec	15.1
Sweden	+ 3.9	+ 4.0	Q3	+ 4.0	+ 3.2	na	+ 9.9	Nov	+ 3.7	Dec	3.7	Dec*	5.3
Switzerland	+ 2.0	+ 3.6	Q3	+ 3.4	+ 2.2	na	+ 6.9	Q3*	− 2.0	Dec	2.0	Jan*	2.6
United States	+ 1.4	+ 3.5	Q4	+ 5.0	+ 1.8	− 1.1	+ 3.1	Dec	+ 2.6	Dec	4.2	Jan	4.0
Euro area	+ 2.4	+ 3.3	Q3	+ 3.4	+ 2.6	+ 5.4	+ 4.4	Nov	+ 1.2	Nov	8.7	Dec	9.6

*Not seasonally adjusted. †Average of latest 3 months compared with average of previous 3 months, at annual rate. ‡Oct-Dec; claimant count rate 3.5% in January. §Oct-Dec.

PRICES AND WAGES In January Britain's annual consumer-price inflation rate fell to 2.7%. Excluding mortgages, the rate was only 1.8%, the lowest since records began in January 1976. In the Netherlands inflation jumped to 4.2%, the highest since May 1992. In the year to January producer-price inflation slowed to 1.9% in Britain and to 3.8% in Germany.

% change at annual rate	Consumer prices*			The Economist poll consumer prices forecast		Producer prices*			Wages/earnings		
	3 mths†	1 year		2000	2001	3 mths†	1 year		3 mths†	1 year	
Australia	+ 1.2	+ 5.8	Q4	+ 4.6	+ 4.1	+10.2	+ 8.4	Q4	− 3.3	+ 5.0	Q4
Austria	+ 2.8	+ 2.6	Dec	+ 2.1	+ 1.7	+ 2.1	+ 3.2	Jan	+ 1.9	+ 2.2	Dec
Belgium	+ 0.7	+ 2.2	Jan	+ 2.6	+ 2.1	+16.2	+10.0	Nov	+ 3.7	+ 1.6	Q4
Britain	+ 1.3	+ 2.7	Jan	+ 2.4	+ 2.2	+ 0.2	+ 1.9	Jan	+ 7.0	+ 4.4	Dec
Canada	+ 2.5	+ 3.2	Dec	+ 2.7	+ 2.4	+ 4.9	+ 3.5	Dec	+ 0.7	+ 3.4	Nov
Denmark	+ 1.3	+ 2.3	Jan	+ 2.9	+ 2.3	+ 3.0	+ 3.9	Dec	+ 7.0	+ 3.8	Q3
France	+ 1.7	+ 1.6	Dec	+ 1.7	+ 1.4	+ 5.2	+ 4.7	Dec	+ 4.6	+ 5.3	Q3
Germany	+ 1.7	+ 2.4	Jan	+ 2.0	+ 1.5	+ 0.8	+ 3.8	Jan	na	+ 1.8	Nov*
Italy	+ 3.1	+ 3.0	Jan	+ 2.5	+ 2.1	+ 6.1	+ 6.2	Dec	+ 0.9	+ 1.7	Dec*
Japan	+ 0.7	− 0.2	Dec	− 0.7	− 0.4	+ 1.4	+ 1.2	Jan	na	+ 1.8	Dec
Netherlands	+ 2.3	+ 4.2	Jan	+ 2.5	+ 3.0	+ 7.4	+ 7.6	Dec	+ 1.4	+ 3.0	Dec
Spain	+ 3.0	+ 3.7	Jan	+ 3.4	+ 2.9	+ 4.8	+ 5.0	Jan	+ 3.2	+ 2.4	Q3
Sweden	na	+ 1.4	Dec	+ 1.3	+ 1.7	+ 6.7	+ 3.7	Dec	+ 0.1	+ 2.1	Nov*
Switzerland	+ 2.0	+ 1.3	Jan	+ 1.6	+ 1.4	nil	+ 1.4	Dec	na	+ 0.2	1999
United States	+ 2.7	+ 3.4	Dec	+ 3.4	+ 2.5	+ 3.5	+ 3.6	Dec	+ 4.8	+ 3.9	Jan
Euro area	+ 2.1	+ 2.6	Dec	+ 2.3	+ 1.9	+ 5.7	+ 5.4	Dec	+ 1.2	+ 1.8	Q3

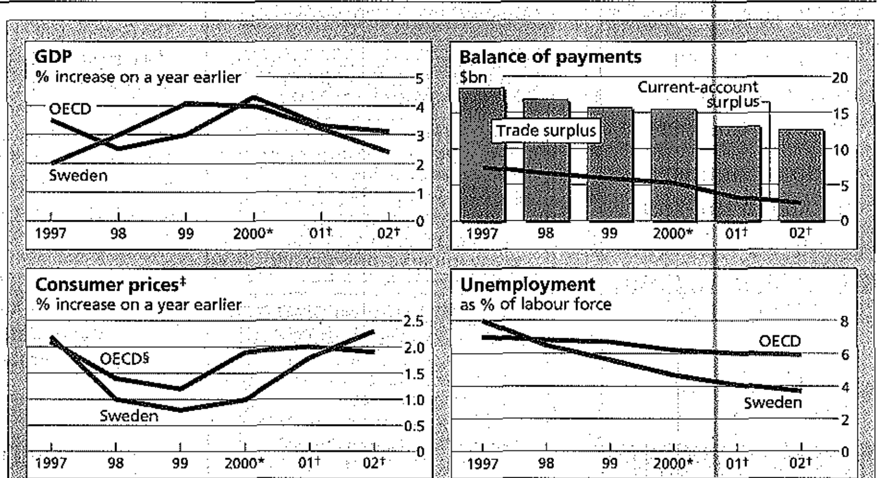
*Not seasonally adjusted. †Average of latest 3 months compared with average of previous 3 months, at annual rate.

The Economist COMMODITY PRICE INDEX America's timber manufacturers want the Bush administration to impose steep duties on Canadian softwood imports or negotiate a new bilateral pact when a five-year agreement expires at the end of March. They claim that Canadian mills get unfair subsidies, thanks to prices set by the government that provide them with cheap logs. (The Canadian government owns 95% of the country's timber.) The current pact between the countries limits imports to America by imposing a tariff above an initial quota. But record imports of Canadian softwood—95% of them tariff-free—still comprised a third of the American market in 2000. With timber prices at decade-long lows, it is no surprise that American mills are losing money and many have closed.

1995=100	Feb 6th*	Feb 13th*	% change on one month	one year
Dollar index				
All items	71.8	71.2	− 1.9	− 5.3
Food	70.5	70.0	− 2.8	− 2.5
Industrials				
All	73.7	72.9	− 0.7	− 8.7
Nfa†	66.6	65.1	− 2.6	− 12.3
Metals	79.7	79.5	+ 0.6	− 6.1
Sterling index				
All items	77.6	77.4	− 0.7	+ 4.2
Food	76.1	76.0	− 1.6	+ 7.2
Industrials	79.6	79.2	+ 0.6	+ 0.4
Euro index				
All items	101.4	101.7	+ 0.2	+ 1.1
Food	99.5	99.9	− 0.8	+ 4.1
Industrials	104.0	104.1	+ 1.4	− 2.5
Yen index				
All items	87.9	89.0	− 2.2	+ 2.2
Food	86.2	87.4	− 3.1	+ 5.2
Industrials	90.1	91.1	− 1.0	− 1.4
Gold				
$ per oz	263.25	261.05	− 1.3	− 14.0
Crude oil North Sea Brent				
$ per barrel	28.58	28.09	+ 8.0	− 0.5
West Texas Intermediate				
$ per barrel	30.26	30.12	− 0.5	+ 0.1

* Provisional. † Non-food agriculturals.

■ SWEDEN The outlook for Sweden remains good, according to the OECD's latest assessment. The economic trauma of the early 1990s is now a distant memory. After two years in which the economy has grown at around 4% a year, the expansion is predicted to slow only modestly, to 3.2%, in 2001. Not until next year will the slowdown bring actual growth into line with potential growth, which the OECD calculates to be about 2.5%. The unemployment rate, which was above the OECD's average as recently as 1997, is forecast to continue its decline, reaching 4% of the labour force by 2002. The only small cloud on the horizon is inflation: it has been below the Riksbank's target of 2.0% for the past five years, but even with higher interest rates the OECD expects it to exceed the target in 2002.



Source: OECD *Estimate †Forecast ‡Private-consumption deflator §Excluding Greece, Hungary, Mexico, Poland and Turkey

DATA ON MORE COUNTRIES ARE AVAILABLE TO SUBSCRIBERS AT WWW.ECONOMIST.COM

The Economist

POLITICS THIS WEEK

Architect of defence

President George Bush announced that he wanted to create a "new architecture" for defence by investing in new technologies and weapons systems, rather than tinkering with the old. He also declared "God bless NATO", taking his listeners by surprise.

Mr Bush was due to visit **Mexico**, his first trip abroad as president.

Outrage continued to swirl round **Bill Clinton** as he plunged into his post-presidential career. Under severe media pressure, he shifted his new office from swanky midtown Manhattan to low-rent Harlem, a place with which he claimed long and heartfelt connections. Meanwhile, Congress said that it wanted to look into Mr Clinton's pardon of Marc Rich, a fugitive financier. The US attorney in New York, Mary Jo White, said she would conduct a criminal investigation into the affair.

At least 225 people, including 22 children and their teacher in one school, were killed in an earthquake in **El Salvador**, the second in the past four weeks.

A 13-point deal was signed between **Colombia**'s President Andres Pastrana and the leader of the left-wing FARC rebels, Manuel Marulanda, renewing the life of a demilitarised zone controlled by the rebels and thus preparing the way for a ceasefire.

Mori in the rough

Japan's unpopular prime minister, Yoshiro Mori, became even less secure after he was criticised for continuing a game of golf after being told of an accident in which a Japanese trawler had been sunk by an American submarine, drowning nine people.

It was announced in **Hong Kong** that the financial secretary, Donald Tsang Yam-Kuen, would replace a champion of the territory's autonomy, Anson Chan Fang On-sang, as chief secretary. A banker, Anthony Leung Kam-chung, would take over from Mr Tsang.

Afghanistan's ruling Taliban told the United Nations to close its political office in Kabul, the capital, after American officials closed the Taliban's office in New York. Opposition fighters in Afghanistan seized Bamiyan, a town held by the Taliban.

Senators in the **Philippines** examined a bank account said to belong to the deposed president, Joseph Estrada. More than $60m had allegedly been withdrawn before Mr Estrada was ousted last month, accused by his opponents of corruption.

Thailand closed a crossing with Myanmar, after Myanmar's soldiers were reported to be massing on the border and firing into Thai territory. Myanmar said it was shooting at rebels.

Kohl's fine

Germany's former chancellor, **Helmut Kohl**, accepted a fine of DM300,000 ($141,000) for accepting secret and therefore illegal contributions to his Christian Democratic Union. If he agrees to pay, criminal charges against him will be dropped, but a parliamentary inquiry into the affair will continue.

Germany's new farm and consumer-protection minister, **Renate Künast,** fiercely criticised the European Commission's latest plan for culling more cattle in its effort to fend off BSE, or mad-cow disease.

The Social Democratic prime minister of **Sweden**, Goran Persson, said he would not hold a referendum before the next general election due in 2002 on whether Sweden, one of the three EU countries not within the euro-zone, would join Europe's single currency.

Ireland was formally reprimanded by the European Commission for the expansionary budget it plans for this year, but the Irish finance minister, Charlie McCreevy, refused to change it.

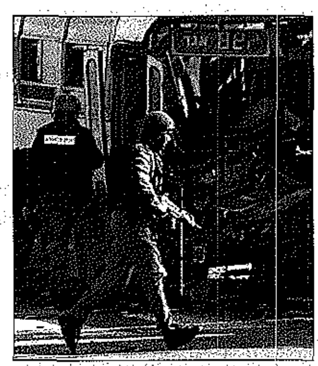
Protesters on the streets of **Ukraine**'s capital, Kiev, continued to call for their president, Leonid Kuchma, to resign, while a leading critic of his, Yulia Timoshenko, a deputy prime minister in charge of energy, was arrested for alleged corruption.

Jacques Chirac, France's conservative president, disagreed with a plan of Lionel Jospin, its socialist prime minister, for devolving powers to **Corsica**.

More peace talks

Leaders of several of the countries and rebel factions involved in **Congo**'s civil war met for peace talks in Zambia. But the presidents of Rwanda and Uganda stayed away.

Some 250,000 **refugees** remained trapped by fighting between the Guinean army and rebels encroaching from Sierra Leone and elsewhere. Ruud Lubbers, the new United Nations high commissioner for refugees, visited Guinea and Sierra Leone to arrange emergency aid and the evacuation of refugees.



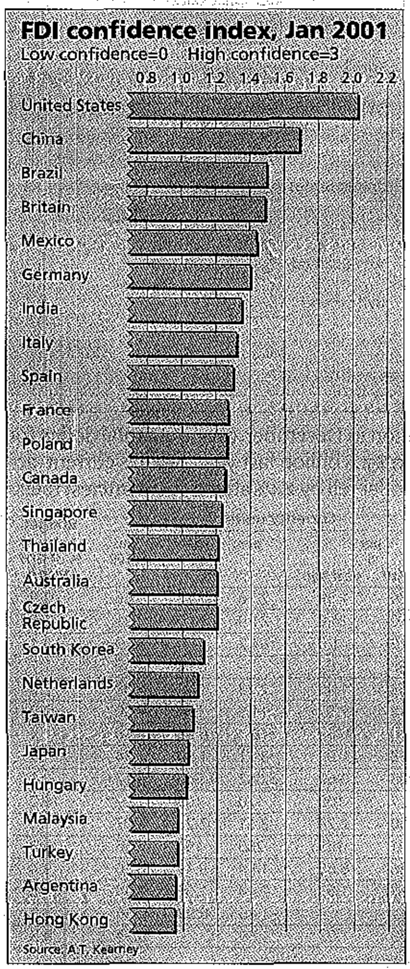
Israel's military killed a senior Palestinian security official in a rocket attack. A Palestinian bus driver drove into a queue at a bus stop, killing eight Israelis and injuring 17 others, and raising tensions still further.

People flocked to the polls in **Bahrain**, an authoritarian Gulf emirate, to vote on a new constitution that would institute a partially elected parliament and grant women political rights.

Iraq's national airline resumed scheduled international flights for the first time since the Gulf war, in apparent defiance of UN sanctions.

’GING-MARKET INDICATORS

T Despite con- wn in its economy, most attractive des- direct investment, ac- nual survey by A.T. Kear- ement-consulting firm. Exec- 35 of the world’s 1,000 biggest ies gave marks on a scale of one to for their likelihood to invest in foreign ntries. Size matters. Though the sheer scale of the American market still pulls investors in, China and Brazil, two big emerging economies that are expected to grow quickly, now occupy the second and third spots. India is also in the top seven. The biggest shift in investors’ outlook, says A.T. Kearney, has been towards Mexico. American firms rate their NAFTA partner as their top destination for investment. Executives have also brightened their view of Asian “tiger” economies. The ratings of both Singapore and Taiwan have improved markedly in the past year. Britain has dropped to fourth place, from second last year. Although the executives said that uncertainty over Britain’s entry to the euro could affect investment, general economic performance and exchange rates mattered more.



ECONOMY Brazil’s GDP grew by 4.4% in the year to the fourth quarter. It was helped by a surge in industrial production, which climbed 7.5% in the 12 months to December. Turkey’s monthly current-account deficit widened to a record $1.7 billion in November. Russia held $24.3 billion in foreign-currency reserves at the end of 2000, up from $8.5 billion a year earlier.

	% change on year earlier			Latest 12 months, $bn		Foreign reserves*, $bn	
	GDP	Industrial production	Consumer prices	Trade balance	Current account	Latest	Year ago
China	+ 7.4 Q4	+ 2.3 Jan	+ 1.5 Dec	+24.0 Jan	+15.7 1999	163.9 Nov	156.8
Hong Kong	+10.4 Q3	− 0.1 Q3	− 1.8 Dec	−10.9 Dec	+ 9.2 Q3	107.5 Dec	96.3
India	+ 7.2 Q4†	+ 6.5 Nov	+ 3.5 Dec	− 8.3 Dec	− 5.6 Q3	37.3 Dec	32.7
Indonesia	+ 5.1 Q3	+38.4 Q4†	+ 8.3 Jan	+28.3 Dec	+ 6.2 Q1	22.6 Dec	26.5
Malaysia	+ 7.7 Q3	+15.1 Dec	+ 1.4 Dec	+16.0 Dec	+11.3 Q2	29.5 Dec	30.6
Philippines	+ 4.8 Q3	+36.6 Nov	+ 6.9 Jan	+ 5.7 Nov	+ 9.1 Aug	12.5 Oct	12.8
Singapore	+10.5 Q4	+20.0 Dec	+ 2.1 Dec	+ 4.0 Nov	+21.6 Q3	77.5 Nov	74.3
South Korea	+ 9.2 Q3	+ 4.7 Dec	+ 4.2 Jan	+12.9 Jan	+11.7 Nov	96.2 Dec	74.0
Taiwan	+ 6.6 Q3	− 2.1 Dec	+ 2.4 Jan	+ 8.1 Jan	+ 7.5 Q3	106.7 Dec	106.2
Thailand	+ 2.6 Q3	+ 1.5 Dec	+ 1.3 Jan	+ 5.6 Dec	+ 9.2 Dec	32.0 Dec	34.1
Argentina	nil Q3	− 3.4 Dec	− 1.5 Jan	+ 1.1 Dec	−10.5 Q3	25.2 Dec	26.3
Brazil	+ 4.4 Q4	+ 7.5 Dec	+ 5.4 Jan	− 1.1 Jan	−24.6 Dec	32.5 Nov	42.2
Chile	+ 5.8 Q3	− 3.8 Dec	+ 4.7 Jan	+ 1.5 Dec	− 0.7 Q3	14.2 Nov	14.1
Colombia	+ 3.1 Q3	+ 0.2 Dec	+ 8.5 Jan	+ 2.3 Dec	+ 0.1 Q2	8.1 Dec	7.6
Mexico	+ 7.1 Q3	− 0.4 Dec	+ 8.1 Jan	− 8.0 Dec	−16.4 Q3	35.5 Dec	31.8
Peru	− 1.8 Dec	+ 0.9 Nov**	+ 3.9 Jan	− 0.4 Nov	− 1.6 Q3	8.5 Nov	8.9
Venezuela	+ 3.3 Q3	na	+ 12.6 Jan	+14.4 Jul	+11.8 Q3	13.1 Dec	12.3
Egypt	+ 6.5 2000‡	+ 9.4 2000‡	+ 2.4 Nov	−10.8 Q3	− 0.9 Q3	12.9 Oct	15.4
Israel	+ 3.0 Q4	+ 6.0 Nov	nil Dec	− 6.9 Jan	− 0.7 Q3	23.2 Jan	22.1
South Africa	+ 4.5 Q3	+ 4.1 Dec	+ 7.0 Dec	+ 3.2 Dec	− 0.7 Q3	6.1 Nov	6.3
Turkey	+ 7.4 Q3	− 4.2 Dec	+ 35.9 Jan	−27.4 Nov	−10.3 Nov	18.8 Nov	22.7
Czech Republic	+ 2.2 Q3	+ 1.4 Dec	+ 4.2 Jan	− 3.3 Dec	− 1.9 Q3	13.1 Dec	12.9
Hungary	+ 4.6 Q3	+10.1 Dec	+ 10.1 Jan	− 2.3 Dec	− 1.8 Dec	11.2 Dec	11.0
Poland	+ 2.2 Q4	− 2.2 Dec	+ 8.5 Dec	−11.0 Dec	− 9.9 Dec	25.3 Dec	24.5
Russia	+ 7.9 Q4	+ 2.5 Dec	+ 20.7 Jan	+59.8 Nov	+43.8 Q3	24.3 Dec	8.5

*Excluding gold, except Singapore; IMF definition. †1999. ‡Year ending June. **New series

FINANCIAL MARKETS Moscow gained 7.2% this week as speculative interest buoyed an already volatile market. Financial and construction shares helped push Seoul up by 4.8%, while Bangkok’s gains from earlier in the week were reversed following MSCI’s decision not to increase Thailand’s country weights in its indices.

	Currency units			Interest rates	Stockmarkets	% change on		
	per $		per £	short-term	Feb 14th		Dec 31st 1999	
	Feb 14th	year ago	Feb 14th	% p.a.		one week	in local currency	in $ terms
China	8.28	8.28	12.1	5.40	2,077.3	− 0.8	+ 43.1	+ 43.1
Hong Kong	7.80	7.78	11.4	5.21	15,860.4	− 1.2	− 6.5	− 6.8
India	46.6	43.6	68.0	8.58	4,363.	+ 1.2	− 12.8	− 18.6
Indonesia	9,603	7,425	14,021	15.04	423.2	− 4.8	− 37.5	− 54.1
Malaysia	3.80	3.80	5.55	3.30	714.5	− 2.0	− 12.0	− 12.0
Philippines	48.0	40.5	70.1	12.31	1,687.7	+ 1.7	− 21.2	− 33.9
Singapore	1.75	1.70	2.55	2.08	1,966.1	+ 1.2	− 20.7	− 24.3
South Korea	1,252	1,126	1,827	5.69	603.8	+ 4.8	− 41.3	− 46.8
Taiwan	32.3	30.7	47.1	5.15	5,887.7	+ 3.4	− 30.3	− 32.3
Thailand	42.4	37.7	61.9	2.75	315.3	− 3.7	− 34.6	− 42.0
Argentina	1.00	1.00	1.46	6.45	494.9	− 1.8	− 9.8	− 9.8
Brazil	1.99	1.77	2.90	15.28	17,120.1	+ 1.8	+ 0.2	− 9.7
Chile	560	513	817	4.21*	4,949.3	− 1.3	− 4.2	− 9.4
Colombia	2,243	1,947	3,275	13.33	839.7	+ 4.7	− 15.8	− 29.6
Mexico	9.73	9.37	14.2	17.07	6,360.1	+ 0.2	− 10.8	− 13.1
Peru	3.53	3.45	5.2	11.04	1,318.5	+ 0.2	− 28.2	− 28.5
Venezuela	703	659	1,027	16.22	7,706.9	− 2.7	+ 42.2	+ 31.2
Egypt	3.88	3.42	5.66	9.09	7,267.3	− 3.6	− 44.2	− 50.8
Israel	4.10	4.04	5.99	5.72	457.1	+ 2.9	− 6.2	− 4.8
South Africa	7.89	6.34	11.5	10.45	9,191.9	+ 0.4	+ 7.6	− 16.0
Turkey	683,085	564,050	997,372	46.00	9,971.7	+ 2.5	− 34.4	− 47.9
Czech Republic	37.6	36.3	54.9	5.31	465.7	− 4.2	− 4.9	− 9.1
Hungary	289	260	422	11.06	7,635.8	− 1.4	− 13.4	− 23.9
Poland	4.09	4.14	5.97	18.55	16,561.9	− 1.6	− 8.4	− 7.2
Russia	28.7	28.8	41.9	25.00	178.6†	+ 7.2	+ 4.7	+ 0.5

*Inflation-adjusted. †In dollar terms.

Sources: National statistics offices, central banks and stock exchanges; Thomson Financial Datastream; EIU; Reuters; Warburg Dillon Read; J.P Morgan Chase; Hong Kong Monetary Authority; Centre for Monitoring Indian Economy; FIEL; EFG–Hermes; Bank Leumi Le–Israel; Standard Bank Group; Garanti Bank; Deutsche Bank; *Russian Economic Trends*.

DATA ON MORE COUNTRIES ARE AVAILABLE TO SUBSCRIBERS AT WWW.ECONOMIST.COM