

Can the U.S. remain an economic oasis?

By Jonathan Peterson,
Los Angeles Times

WASHINGTON — Like a gigantic, multilingual flea market, the nations of the world are blending inexorably into a single, global economy. At least, that is what we are often told.

Yet the striking contrast between boom times in America and hard times in much of the world underlines a different, less-discussed reality: In vital ways, the United States remains a nation apart, its prosperity based more on consumers in California than manufacturers in Malaysia, its financial health affected more by decisions in Washington than turbulence overseas.

Even last year's financial disaster in Asia boomeranged into a benefit for most Americans, who were enjoying a seemingly invulnerable economic upturn. Worried about the far-flung perils, the Federal Reserve cut interest rates three times, and consumers responded with a euphoric binge.

"Can the U.S. economy prosper just on internal, yuppie consumption?" asks Edward E. Yardeni, chief economist and global investment strategist of Deutsche Bank Securities in New York. "The answer, so far, is absolutely."

No one doubts that America's links to the global marketplace are important and growing. Yet mantralic chants of "globalization" obscure the fact that most people's

livelihood still depends on the domestic economy, a colossal, \$8.5 trillion web of commerce in which the world's richest consumers lavish much of their money on homes, services and other things that never will be traded overseas.

Exports, meanwhile, an important gauge of this country's links to the global economy, accounted for just 11.3 percent of U.S. economic activity last year, according to the Commerce Department. That figure has crept up only a few percentage points since the early 1980s and remains only a fraction of the share in Germany, Canada, Mexico and many other countries.

Economists have torn up their gloomy forecasts repeatedly, as evidence piled up that foreign woes were having surprisingly little impact on most of this country. Ross C. DeVol, U.S. economist at the Milken Institute think tank in Santa Monica, Calif., puts it this way: "Globalization hasn't gone quite as far as many of us like to espouse, including myself."

Few would take issue with that at USG Corp., a producer of wallboard that is scrambling around the clock to keep up with the fierce demand. Although Asia and other regions have been a growing market for its products, USG still makes about 90 percent of its sales inside the United States. This country's boom in home buying and renovating has set off a free-for-all for scarce wallboard, and the Chicago company is hurrying to

complete five new plants.

"We're running our plants now seven days a week, 24 hours a day," said Richard H. Fleming, the company's executive vice president and chief financial officer. Even when global forces obviously are at play, America's uniqueness stands out. Just last September, Federal Reserve Chairman Alan Greenspan uttered his now famous caution that the United States could not remain an "oasis of prosperity" in a world plagued by financial turmoil.

The warning seemed timely, coming as overseas financial shocks were threatening a credit crunch in this country. Forecasters crunched of a sharp U.S. slowdown in 1999. The stock market looked shaky. Highly publicized corporate layoffs seemed to signal trouble on the horizon. Consumer confidence was starting to slip from its lofty heights.

Moreover, the overseas problems were hammering certain U.S. industries, notably in manufacturing, agriculture and energy production, along with particular regions. But concerns that foreign travails would spread broadly into this country proved unwarranted. In part, Greenspan helped keep the United States an oasis by promoting three interest-rate cuts in the next few months, a development that delighted investors and sparked a surge in housing and other industries.

The Fed's widely welcomed moves were a tacit recognition of America's

exceptional role in the global economy. They signaled U.S. vigilance to foreign countries, and bucked up American lenders, investors and consumers who were worried about news from overseas. Yet there is another reason why the much-heralded slowdown proved a no-show on U.S. shores, a reason that goes to the heart of America's unique status in the world.

Throughout the global crisis, and especially after Russia's ruble default ignited a financial panic last summer, much of the world steered investments into the safer haven of U.S. financial markets. In addition, struggling nations in Asia and South America flooded this country with cheap imports, aimed directly at the wallets of wealthy American consumers.

These twin waves of capital and inexpensive imports helped push up the U.S. stock market and keep down inflation, no small feat for a hot economy with an aging upturn.

DeVol estimates, for example, that a tidal wave of \$230 billion in capital flooded this country last year for stocks and corporate bonds, a development that stimulated the financial markets, enriched U.S. investors and bolstered consumer confidence. But across the country signs of trouble in the global economy were triggering alarms.

Ingersoll-Rand, manufacturer of assorted industrial equipment and components, relies on foreign

markets for roughly 40 percent of sales; Asia alone accounted for 10 percent of the total. "We were all concerned," recalled David W. Devonshire, senior vice president and chief financial officer at Ingersoll-Rand in Woodcliff Lake, N.J. "We spent quite a bit of time talking about it and looking at it."

Yet overall sales last year shot up 17 percent. On top of all that, Ingersoll-Rand saved money by picking up unexpectedly cheap engines from Japan that it uses in construction machinery. As Devonshire sees it, successful efforts by corporate America to boost productivity with the help of new technology were a key reason the national economy has performed so strongly. He also cited the Fed's interest-rate cuts, and enduring strength of the domestic economy.

If overseas distress ended up helping the U.S. economy last year, will overseas recovery end up hurting it in the future? Recovery abroad, after all, could spark a homecoming of investment capital out of this country, with potentially negative effects for interest rates and the stock market. The paradox is taken seriously by some economists who note that the United States this year is not likely to gain the "perverse benefits" of foreign turmoil, such as cheaper foreign goods.

"Quite likely, as Asia begins to recover, the most severe effects will be felt in the United States," said

DeVol. Beyond that, there are signs that Japan's need to finance its own record-high budget deficit will be a big lure for foreign capital. That could pressure U.S. interest rates upward in order to keep funds in this country.

"We're seeing (higher rates) already in the bond market," said Lawrence B. Lindsey, a former governor on the U.S. Federal Reserve and resident scholar at the American Enterprise Institute think tank. If it continues, such a trend could have far-reaching implications for Americans, who have engaged in a buying spree of homes and other big-ticket items financed with low interest rates, and the overall national economy.

"If interest rates go up, and I think they're going to, how much longer can the stock market stay at these lofty levels?" Lindsey asked. When the U.S. expansion ultimately falters, perhaps this country will bring the rest of the world down with it, including large regions still trying to claw their way out of the ditch.

Just recently, the World Bank lamented in a report that global prosperity "has become extremely dependent" on the U.S. economic engine. It is "not a healthy situation," worried Uri Dadush, a senior official with the World Bank. Still, few forecasters are betting on the negative outcome. Most expect the United States to enjoy another year of strong growth, even with assorted problems continuing overseas.

'Star Wars' fans lining up for 'Phantom Menace' debut

By Sharon Waxman,
The Washington Post

LOS ANGELES — The line for the first showing of "Star Wars Episode One: The Phantom Menace" starts behind Daniel Alter, age 17, who set up a folding chair April 7 in front of the Mann Village Theater in Westwood. By now there are a half dozen people behind him.

But that's not the only line going more than a month before the May 19 opening of the most anticipated movie of the year. A kind of cyber-Woodstock atmosphere has descended on a rival line on Hollywood Boulevard, beside the entrance to Mann's Chinese Theater, where 30 people have set up pup tents and laptops in a steadily growing queue for the first screening.

"Just wait until Sunday when the international crowd starts coming," promises Lincoln Gasking, the 22-year-old Australian organizer of this line. Already director George Lucas's "Phantom Menace", the first of three planned "prequels" to his blockbuster

"Star Wars" trilogy, appears poised to become a pop culture leviathan, rivaling the box office records of his grand opus about space, evil and the mysterious workings of "the Force."

The first three films, "Star Wars," "The Empire Strikes Back" and "Return of the Jedi," have grossed a staggering \$1.8 billion since the release of the first film in 1977. All three were re-released in 1997 as a big-screen refresher course on the exploits of Luke Skywalker and guru Obi-Wan Kenobi, priming a massive fan base for this year's installment.

On Hollywood Boulevard, the line for the series' most avid fans has become a happening of sorts, with participants logging in their hours for a charity (they're calling it a "stand-a-thon") and the whole thing broadcast online, 24 hours a day, at a Web site, countingdown.com. Lines will be springing up all over the country starting next week.

Sci-fi nerds? Video geeks? Obi-Wan oddballs? Not Gasking, a sunburned, dark-haired real estate rental broker with a winning smile and

an entrepreneurial eye. He's been planning this event for a year, and if all goes well, may never go back to Melbourne. Truth be told, he's only seen "Star Wars" "20 or 30 times," he says. "I love movies. I love excitement. It's about getting fans together."

Then there's Stevie Otis, a 22-year-old biochemistry major at Cal Tech, who can only be described as a "Star Wars" babe. Cindy Crawford looks and ambitions to become a "space doctor," a hitherto-unknown career charted squarely in the future. She rediscovered the Lucas trilogy in junior high school, and "for the next few years I watched it as often as I could. There's a lot in there philosophically, about the Force, and Yoda and dark and light and conflict."

There are also the classic science fiction devotees such as baby-faced Scott McAfee, 18, who is anchoring the countingdown.com chat room, and who claims to have watched "Star Wars" about 500 times. A reporter inquires: Just "Star Wars," or "The Empire Strikes Back" and "Return of the

Jedi" too? He squints, horror-struck at the very suggestion. "Oh no, I always watch it as a trilogy," he says.

The line-sitters take turns talking to fans who watch the (in)action via the countingdown.com Web camera, perched atop the computer under a plastic tarp on the Hollywood Boulevard sidewalk. That, and a laptop donated by Dell, are used for tinkering with the Web site and near-constant replaying of the "Phantom Menace" trailer and a "South Park"-style spoof made by Gasking and a couple of other countingdown.com fans. Gasking's selling online ads. Traffic? About 100,000 people regularly visit the site.

Dave May, 21, who leaves the line every day to work at Blockbuster, remembers seeing "Return of the Jedi" when he was 5. "I remember, ooooh yeah, I remember," he breathes. He soon launches into a discussion of the religious roots of the "Star Wars" canon, how creator George Lucas took "Hinduism and Christianity and rolled it into one" but

also "took King Arthur and the 'Odyssey' and combined it into one tale."

May is joined by 30-year-old Mike Harris of West Los Angeles, a part-time actor and bartender who explains that most people don't realize that the word "Jedi" is rooted in an ancient Hebrew caste of religious knights, called the "Jediah." (Most people don't realize this because there was no such thing. But maybe he's referring to the tribe of "Judah.")

The line is a curious combination of cutting-edge technology and caveman-level subsistence. The only protection from a recent downpour or the brutal sun is a swath of blue plastic tied with twine. Energy lines are being supplied by Hollywood Souvenirs, a store across the street that has cables snaking up the boulevard to the sidewalk encampment. Pup tents go up in the evening and stretch around the block. There are cases of bottled water, boxes of Nutri-Grain bars and leftover bags from McDonald's. There's a life-size Darth Vader and storm trooper cutout next to a public

phone that has been commandeered for the cause, marked with a sign, "Inbound Calls."

It rings constantly. Someone has fiddled with a no jaywalking sign so that it reads "Use the Force."

Meanwhile up at Lucasfilm in Northern California, where the pre-opening frenzy rises on a daily basis, there is cheery surprise at the intensity of the line-sitters' devotion. "It is insane, and I just love it," says "Phantom" producer Rick McCallum. "I didn't think it'd ever go this berserk."

I think the real reason behind it is that kids can have that experience at a rock concert, but they've never had that experience at a movie. I really do think that it is part of the phenomenon, it's a collective fun thing to do." McCallum said he planned to visit the line, incognito, this weekend, but Jake Lloyd, the 10-year-old who plays Anakin Skywalker in "Phantom," beat him to it, making a surprise visit on Wednesday with his family. He distributed lollipops.

Terror catches up with family in form of land mine

By Marc Lacey,
Los Angeles Times

MOLINA, Albania — They escaped a burning village in central Kosovo. They endured a two-day trek to the border. But terror caught up with seven members of the Berisha family, cold and hungry and crammed into a tiny car, 20 feet from the safety of Albania.

In the early morning darkness Sunday, their white Opel subcompact drove over a Serb-laid land mine just outside the Albanian line, killing five family members, injuring numerous other refugees in the same convoy, and highlighting the extreme danger confronting the uprooted ethnic Albanians in flight from Kosovo.

The death toll from the accident was minor compared with the mass killings reported elsewhere in the war-torn province of Serbia, Yugoslavia's dominant republic. But this was a family who had made it out of the battle zone along one of the main escape routes from Serbian aggression. Just ahead of them, in a muddy clearing on the Albanian side, were relief workers with blankets, cold water and food.

"We almost made it to Albania," said a grim-faced Rexhep Berisha, 38, who lost his mother, Nazmia, and other relatives in the explosion and survived only because he had traveled in a wagon instead of the car. Refugees from Kosovo encounter a host of perils from the time they flee their villages to their arrival in the

ever-expanding refugee camps inside Albania and Macedonia. Along the way, there are unformed thieves, rapists and thugs; the possibility of starvation; and war breaking out all around.

"Once they get here, we can feed them," said Angela Walker, a spokeswoman for the United Nations World Food Program, which is passing out water, soup and high-energy biscuits to new arrivals. "Our concern is that they make it here." The Berishas, whose journey began Friday in the tiny Kosovo village of Bardhi, almost did.

Chased out of their home by Serbs and told to get out of the country, family members grabbed what they could and piled into their car. Nazmia Berisha, 64, traveled with another son, his wife and the couple's four children. About 3 a.m. Sunday, the Berishas had reached the Serbian border station. Ahead of them was a line of wagons proceeding in darkness.

To illuminate the roadway for the wagons, according to some of those on the scene, the Berishas pulled their car to the left side of the road. That was their fatal mistake. In veering to the edge of the roadway, the car struck one of the mines that Serbian authorities have been observed laying on the Kosovo side of the border in recent days.

"For a moment, we thought something was falling from the sky," said Rexhep Berisha. "We saw flames, and then bodies were everywhere."

The blast wiped out the carload of Berishas, except for an 11-year-old girl who was hanging tenuously on to life Sunday and her 33-year-old father, who escaped with minor injuries. "I was feeling very bad before this accident," said Nusret Gerguri, 37, a neighbor of the Berishas who was in a wagon just ahead of the blast. "Now everything is doubled. I feel terrible."

The two women's bodies were recovered, but authorities said three of the young victims' remains could not be found. Rexhep Berisha marched back across the border in search of the other bodies, but the Serbian border guards were of no help, he said.

The border closed temporarily, but soon the procession of wooden wagons pulled by farm tractors, of crowded cars, horse-drawn carriages and rain-soaked pedestrians, started anew. By day's end, the already crowded refugee camps in the border town of Kukës had nearly 10,000 new ethnic Albanian arrivals from Kosovo, authorities said.

As they crossed a narrow bridge into Albanian territory, refugees seemed to ignore the twisted wreckage of the exploded car, which had come so close to its destination. "Such explosions, you can see every day on the roads of Kosovo," explained Haxhi Nimani, 50, who fled Mitrovica for Albania. "We have seen so much along the way."

McDonald's still serving happy meals in sad times

By Bill Glauber,
The Baltimore Sun

BELGRADE, Yugoslavia — It's not every McDonald's that features Serbian folk music, a target symbol in its advertising and a bomb shelter. But then, selling American fast food while NATO war planes loom overhead can be a risky business.

Saturday, Big Macs returned to Belgrade's menu, as McDonald's reopened three restaurants some three weeks after 15 of its Yugoslav franchises were attacked by angry Belgrade citizens in the wake of NATO's bombing campaign. There was a time when the main McDonald's in Belgrade racked up as many as 17,000 customers in a single day, 2 million customers a year in two separate years, according to the director of the Yugoslav franchise.

"This is how America is conquering the world, by food and McDonald's," said Dejan Vladovic, a 36-year-old who was among the customers at the grand reopening of a cavernous, two-floor restaurant in Belgrade's city center. It was a day for burgers and fries, milk shakes and Cokes, as people sought a sense of normalcy despite nightly air raids.

Besides the McDonald's reopening, thousands turned out for the start of the Belgrade Marathon. In a show of sportsmanship, 39 elite

athletes chose to run together on the 26-mile, 385-yard journey, crossing the finish line in a pack beneath a banner that read "Run for Fun Not from Bombs."

"This wasn't to make a political point, it was just to celebrate friendship, people to people," said Zane Branson, 41, of Moneta, Va., the lone American in the field. "People here aren't angry with Americans, just American policy." When the first bombs fell last month, some Serbs vented their anger on Western symbols, trashing airplane offices and cultural centers and spraying graffiti on the walls of some of the more prominent NATO country embassies.

With its American roots and food, McDonald's became a prime target of vandals. Two days after the first bombs fell on Belgrade, the main store was attacked by a mob that smashed windows and damaged cash registers and an orange juice dispenser. McDonald's Managing Director Dragiljub Lakić said the local McDonald's franchise is a Yugoslav registered company, that it employs up to 1,000 people and that 75 percent of the raw materials are produced locally.

Signs were posted on the restaurant's smashed windows: "All of us are targets if the restaurant has to be broken, let NATO do it." Patrons who arrived Saturday were

greeted by the usual McDonald's paraphernalia of Golden Arches and Happy Meals. But there were a few wrinkles. The in-store advertisement included the ever-present target symbol that has become a local sign of survival.

No air raid sirens were sounded Saturday afternoon, but if they had, the patrons could still would have eaten in style in the lower floor seating area, which doubles as a shelter. Irena Milenkovic, 23, said she was heartbroken when the windows were smashed. And she also felt for the kids who wouldn't be able to celebrate their birthday parties at the restaurant.

"We realized the restaurant was a part of us," she said. "And it was like a part of me was broken. I felt very sad." Milka Seckic, 38, a store manager, was confident that when the store reopened, the customers would come back.

"People like our food," she said. "They like what young people all over the world like. It was important for us to open and start working again." A woman and her young son were the first customers to arrive at 9 a.m. sharp. Others filtered in throughout the day before the 5 p.m. closing, hours earlier than usual. But it was a far cry from the throngs that normally assemble in one of the busier franchises in Europe.