

POLITICS & ECONOMICS

WORLD WATCH

Europe

Amnesty Contends Fight Against Terror Undermines Rights

LONDON—Amnesty International said the relentless pursuit of security by powerful nations had undermined human rights, draining attention from crises afflicting the poor.

In releasing its 2006 report, the human-rights watchdog condemned countries such as the U.S., China and Russia for focusing on narrow interests, diluting efforts to solve conflicts elsewhere, such as Sudan's Darfur region.

"There is no doubt that it [the war on terror] has given a new lease on life to old-fashioned repression," said Irene Khan, Amnesty's secretary general.

Amnesty also called for the closure of the Guantanamo Bay prison camp, and for full disclosure on prisoners implicated elsewhere in the war on terror. It asked for the United Nations Human Rights Council to insist on equal standards "whether in Darfur, Guantanamo, Chechnya or China."

—Associated Press

Briefly:

Germany's healthiest growth in private consumption in more than a year lends support to the theory that economic growth may be broadening beyond its exports sector. German gross domestic product rose 0.4% for the first three months of 2006, data from the Federal Statistics Office showed, bringing the annual adjusted growth rate to 2.9%. The annual adjusted rate in the fourth quarter was 1.1%.

Americas

Brazil Plans to Curb Its Spending to Meet GDP Surplus Target

SÃO PAULO, Brazil—The Brazilian government plans to curtail spending to meet its public-sector primary-surplus target of 4.25% of gross domestic product this year, according to budget guidelines.

The government will block 5.6 billion reais (\$2.45 billion) in discretionary spending approved in the budget to raise the primary surplus to more than 4.5% of GDP, allowing for a margin of error to meet its target, the guidelines said.

The 4.25% target will allow Brazil to pay down public-sector debt, which currently stands at 51.7% of GDP.

Some investors and analysts have said recently that Brazil may miss its target because of greater expenses that include pay raises and rising social-security benefit outlays after an increase in Brazil's minimum wage by 17% in April, to 350 reais per month.

—Alastair Stewart

Briefly:

Brazilian President Luiz Inácio Lula da Silva said that by 2008, Brazil won't be dependent on other countries for natural-gas supplies. "By 2008, we will be producing the same amount of gas we (import) from Bolivia," Mr. da Silva said during a speech. "Brazil no longer will depend on anyone in this energy question." State-run oil firm Petroleo Brasileiro SA said Friday it will speed up new gas developments off the Brazilian coast, following Bolivia's nationalization of its energy industry.

Judge Orders IRS To Repay Millions In Tax-Shelter Case

By ROBERT GUY MATTHEWS

WASHINGTON—A U.S. Tax Court judge ordered the Internal Revenue Service to repay nearly \$36 million in taxes, penalties and fees to a group of mostly airline pilots who participated in a decades-old tax shelter.

In trying to build its case against the pilots, two IRS attorneys cut improper deals with witnesses to sway the case in the government's favor and taxpayers are due compensation, the judge said.

About 500 taxpayers could be due refunds. In the 1980s, they settled with the IRS, but proceeded to fight the IRS assessment in various courts. An additional 1,300 taxpayers, who didn't settle their tax bills with the IRS, weren't covered under this Ninth Circuit court ruling, but are likely to get some financial compensation.

At issue is a tax shelter called Kersting, named after Honolulu businessman Henry Kersting. It allowed the pilots and their families to purchase stock in one of Mr. Kersting's companies. In exchange, they would get promissory notes, on which they would have to pay interest. The deal allowed the investors to claim interest deductions on their tax returns.

The tax shelter has since been ruled abusive by the IRS. The IRS has 90 days to appeal once the taxpayer calculates how much should be refunded and that calculation is accepted by the court.

The IRS wouldn't comment. In 2003, then-IRS Chief Counsel B. John Williams publicly apologized for the conduct of the IRS probe. In 2003, a Ninth Circuit judge ruled two IRS attorneys committed fraud upon the U.S. Tax Court and the agency declined to appeal the judgment.

To build the cases against the tax shelter participants, court documents show, IRS attorneys Kenneth W. McWade and William A. Sims significantly reduced the tax liabilities of two witnesses in exchange for testifying against six pilots.

The judge ordered the IRS to pay taxpayers in the case penalties equal to six times the amount they overpaid to settle the cases in the 1980s.

Many of the pilots entered the tax shelter beginning in the late 1970s until the IRS in 1982 began to send out notices to participants demanding that they pay additional taxes.

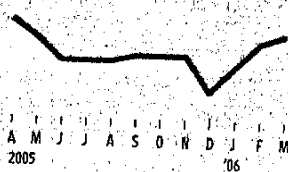
"Right now, my clients have decided to not appeal, generally," said Declan Joseph O'Donnell, the attorney who represented some of the tax-shelter participants. He said that while his calculations should have forced the IRS to pay more, most of the people were tired of battling the case for many years.

GLOBAL ECONOMIC SNAPSHOT

Unemployment/Latin America

Number of unemployed persons as a percentage of the civilian labor force; monthly frequency

COUNTRY	LATEST	PREVIOUS	2006 FORECAST	Brazil
Mexico	3.4%	3.6%	3.0%	12%
Brazil	10.4	10.1	8.9	11
Argentina ¹	10.1	11.1	10.3	10
Venezuela	10.1	10.7	10.0	9
Colombia	11.3	13.2	11.0	8
Chile ²	7.9	7.3	7.9	7
Peru ³	9.5	7.7	7.5	



¹Quarterly ²Three-month moving average ³Annual

Source: Moody's Economy.com

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Europe

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