There’s more than one smoldering volcano on the globe. Here’s the atlas of evil and discourd, along with some unlikely spots that could pose problems in the future.

BY EMILY LAMBERT AND CHANA R. SCHROENBERGER

n late december Fayyad took another step toward that goal. He submitted the first publicly disclosed PA budget, a $1.3 billion plan approved by the Palestinian Legislative Council. Auditing of the spending is being supervised by Ernst & Young, hired by the United Nations, and Deloitte & Touche, hired by the U.S. His latest move: the February delivery of the first meaningful annual report, conducted by standard & Poor’s, on the finances of ten PA-owned businesses once controlled by Arafat. Fayyad has lumped these and other interests together in the palestine Investment Fund, of which he is now chairman. The businesses include a 23% stake in the Jericho casino (worth $28.5 million) and 20% of a Tunisian telecom company ($50 million), as well as a $55 million
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-Chana R. Schoenberger

Baghdad Bettors

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“IT is not Arafat’s money”: Finance Minister Salam Fayyad.

At Fayyad’s behest S&P is now valuing the fund's other 50 or so holdings. Israeli officials began releasing tax proceeds in July, beginning with a trickle of $14 million payments, rising to $58 million a month collected by Israel, oil sold to Palestinian-controlled areas. The oil-tax collections—some $500 million from 1996 to 2000—previously flowed into a separate account controlled by Arafat and Rachid.

In the past that kind of latitude let Arafat create a public sector of 125,000 people consuming $660 million, 10% of the annual budget. This includes $240 million for security forces of 53,000 agents—most of them members of Fatah, Arafat’s political party, which often receive a 1.5% cut. Now Fayyad is trying to replace the cash payments and create a paper trail, thwacking commanders who off the top. Security chiefs are resisting the effort.

Despite Fayyad’s reforms, however, Arafat continues to hold some financial clout. His office is budgeted for $74 million this year, though Fayyad is quick to point out that the spending is watched carefully by a finance ministry official and his auditors. And some signs indicate that Arafat has stashed other money offshore. An Israeli businessman, alarmed that he might be facilitating terrorism, claimed December that he was hired by Arafat to funnel some $15 million into swiss bank accounts that Arafat and Rachid control. The attorney general of Israel is investigating.