

\$ 44b ROK budget okayed

SEOUL, Dec 3: The National Assembly early today passed South Korea's 1992 budget after trimming the government's package by one per cent to 44 billion dollar, reports AFP.

After an arduous negotiating session lasting well past the midnight deadline. The opposition Democratic Party (DP) withdrew its proposal for sharper cuts and agreed to reduce the package by just 400 million dollars.

DP chief policy maker Yoo Joon-Sang said the bill was inflationary and accused the government of drafting it "with the aim of increasing funds for campaigning for the four rounds of elections to be conducted next year."

All the DP legislators voted against the bill because it included a tax hike pushed through earlier by the majority ruling Democratic Liberal Party.

The budget includes a 12.7 per cent increase to 12.2 billion dollar in military spending, a 18 per cent increase to 7.3 billion dollars in personnel, and administrative expenditures and 13.3 per cent increase to 10 billion dollars for local governments.

Of the 262 legislators present, 196 voted for the bill, 65 against and one abstained.

The budget marks a 24 per cent increase over this year's excluding two supplementary budgets passed in mid-year.

Brazil asked to 'exorcise demon of inflation'

BRASILIA, Dec 3: The head of the International Monetary Fund (IMF) urged Brazil to "exorcise the demon of inflation" and praised the country's promises for economic austerity.

Michel Camdessus, Secretary-General of the IMF, said Brazil was pursuing a path to "recover its natural leadership in Latin America."

Camdessus met Monday with Vice President Itamar Franco and said he had noted "quiet changes" in Brazil.

The IMF official arrived in the capital on Saturday, following visits to Argentina and Uruguay. He met with Economy Minister Marcellio Margues Moreira, who has led negotiations for a two-billion-dollar standby loan from the Washington-based Fund.

"I anticipate a period of very profitable cooperation for Brazil and for the fund," Camdessus said.

The visit was seen here as an important show of support for the government's economic policy and a signal to the international financial community.

353 pc inflation in Romania

BUCHAREST, Dec 3: Romania's inflation rate was 353 per cent in the first eleven months this year, the Central Statistical Board reported Monday, underscoring the plight faced by consumers in the shift to a free-market economy, reports AP.

The report said living standards tumbled as average wages, which have increased by about 283 per cent from the end of last year, failed to keep up with soaring inflation.

It said food prices were up 367 per cent from December 1990, while non-food prices had increased 361 per cent.

The figures illustrate the difficulty confronting Romanians as the government struggles with reforms necessary to make the shift from a centralized, communist-run economy to a market-oriented system.

Over the past year the government has decontrolled prices, devalued the country's currency



MIRACLE PROPELLER: A British aeronautics engineer, Alan Underwood, development the world's first self-pitching propeller called Autoprop recently. So far, some 230 Autoprops have been fitted to a variety of yachts around the world.

Oil companies urged to sell stock for price stabilisation

CARACAS (Venezuela), Dec 3: The world's oil-producing countries are unequipped to fill the vacuum left by a drop in production by the Soviet Union, according to the president of the Organization of Petroleum Exporting Countries (OPEC), reports AP.

Celestino Armas, speaking here on his return from an OPEC conference in Vienna, called on large oil companies and industrial countries to sell part of their oil stocks to stabilize prices.

The Soviet Union's crude production "has been steadily dropping, and until Iraq and Kuwait return to their pre-war production levels, I don't know if we can make up the difference," Armas said.

OPEC experts predict demand for crude from the organization's 13 members will be about 24 million barrels-per-day for 1992. But OPEC members can only produce 23.6 million barrels at full capacity, he said.

Soviet production is expected to fall 8.6 million barrels-per-day next year. In 1990, Soviet production stood at about 12 million barrels-per-day. It has dropped to about 10.2 million barrels-per-day this year.

OPEC officials say that until Iraq and Kuwait return to their pre-Gulf War production levels, the organization will not be able to meet additional demand - even producing at full capacity.

Iraq produced 3.2 million barrels-per-day before the August, 1990 invasion of Kuwait. Kuwait produced 1.5 million barrels.

The drop in Soviet production levels has been caused by the economic crisis that has swept that nation, and has impeded badly needed investment in crude production there, Armas said.

At the same time, the Ukraine and the Baltic states have begun to impose taxes on the crude that passes through their territories, he added.

US can avert recession: Analysts

WASHINGTON, Dec 3: Although many recent indicators portray a US economy that has gone flat, analysts still believe it continues to grow feebly and can avoid slipping back into recession, reports AP.

These economists not that as soon as one measure of economic health falls, the next one advances.

On Monday, for instance, the Commerce Department reported a 1.0 per cent increase in construction spending in October. But at the same time, the National Association of Purchasing Management said its monthly index of business activity dropped to 50.1 per cent from 53.5 per cent in October, meaning virtually no growth in the manufacturing economy.

"It's a tug of war," said economist Sung Won Sohn of the Norwest Corp in Minneapolis. "There are some positive forces and some negative forces and right now they seem to be in a dead heat. They're not pulling the economy in either direction."

David Berson, an economist with the Federal National Mortgage Association, reads the recent indicators as revealing "very, very sluggish growth," but added, "It doesn't look like the economy is contracting."

Seeking some sign of direction, many economists were looking for the Index of Leading Economic Indicators for October released Tuesday by the Commerce Department.

The index, composed of 11 forward-looking indicators, is designed to foretell the economy six to nine months in advance. It declined 0.1 per cent in September after remaining unchanged in August.

Accord on US food credit to Moscow

MOSCOW, Dec 3: The Soviet Union and the United States on Monday signed a protocol agreement on food deliveries to Moscow using US credits, the Soviet news agency TASS said, reports Reuter.

The document is another step by the United States aimed at helping to overcome the economic difficulties in the Soviet Union, in particular guaranteeing food for the population, it said.

The agreement was signed by the head of the Soviet inter-republican economic committee, Ivan Silayev, and US ambassador to Moscow, Robert Strauss.

"This is a very substantial support. Under the agreement, the protocol will come into effect in four weeks, which means supplies will start in the beginning of 1992," Silayev was quoted as saying.

EC will grant aid to 4 Yugoslav republics

BRUSSELS, Dec 3: The European Community agreed Monday to grant economic and financial aid to four Yugoslav republics as a reward for helping international efforts to end the civil war in Yugoslavia, reports AP.

The 12-nation EC did not specify an amount for the aid, which will take the form of loans, grants and trade concessions.

Officials stressed that the move did not amount to the Community's recognition of the independence of the republics - Bosnia-Herzegovina, Slovenia, Croatia and Macedonia.

The EC decided not to grant aid to a fifth republic - Montenegro. Officials said it was too close to Serbia, which the EC blames for continuing the warfare despite more than

Bush steps up aid for jobless

US can avert recession: Analysts

Most economists expected little change in the October index. "The Leading Index is telling us that the economy is flat," suggested Michael K Evans, head of a Washington economic forecasting service.

A second consecutive decline, however, would raise new fears the economy was headed for a renewed recession. Three straight monthly drops are considered a fairly good sign of an approaching downturn.

Still, the index is not infallible, missing the start of - the last recession. It did not begin turning down until August 1990 the month after the recession began.

The Commerce Department reported the economy subsequently declined at a 1.6 per cent annual rate in the fourth quarter of 1990, 2.8 per cent during the first three months of 1991 and 0.5 per cent in the second quarter.

The economy resumed growing at a 2.4 per cent rate in the third quarter of this year, but many indicators show

that it has slowed considerably since then.

Meanwhile, President Bush said Monday he has ordered a speedup of aid for America's unemployed, including job placement programme and unemployment checks, to ensure that "we leave no stone unturned to promote economic growth."

Bush, meeting with leaders of the beleaguered real estate industry, also said he would sign the newly passed transportation bill next week and order the money start flowing to the states as soon as possible.

The bill would pump 151 dollar into highways and mass transit over five years and create thousands of jobs.

"We're not going to do anything dumb," said Bush.

But he said he wanted "to make sure that we leave no stone unturned to promote economic growth."

Bush, reading from notecards at a meeting in the Roosevelt Room with 14 real estate leaders and his economic policy advisers, noted

that Congress had adjourned for the holidays "after a particularly bitter session."

He said he had sent economic growth proposals up to the Congress "over and over again."

"Many Americans want to know what their government is doing right now to get the economy moving again," he said. "While the most sweeping governmental actions occur when Congress and the administration act in concert, we in the executive branch can act on our own to show that government understands that some Americans are having it very, very tough."

He said he was ordering his cabinet "to ensure the most effective implementation of existing programmes: job placement, job training, unemployment benefits... safety net programmes, small business loans."

"We want to ensure that human problems made the most acute by the current economic climate are addressed as effectively as possible by the executive branch," he said.

Seoul cuts forces to ease labour shortage

SEOUL, Dec 3: President Roh Tae-Woo ordered Tuesday a major cutback of South Korea's military reserves to help ease the labour shortage in the manufacturing sector, his spokesman said, reports AP.

In line with the order, the defence ministry will cut the number of reserve forces from the current 4.2 million men to 2.8 million while reducing their maximum age of service by three years to 30, press reports quoted his spokesman as saying.

The government should work out ways to contribute to easing the labour shortage in the manufacturing sector through this cut," The

spokesman quoted Roh as telling defence minister Lee Jong-Koo and newly appointed military leaders.

Observers here noted that the order came a week ahead of the inter-Korean prime ministers' talks slated to take place here and illustrated the South's resolve to defuse tensions with the communist North.

Under current law, South Korean men who have served the obligatory 36 months of military service have to serve in the reserves until the age of 33 years.

Roh praised the military for playing a leading role in developing the country but said it was time for it to take a back seat to civilians.

"Now, as democracy has

taken firm root with a developed economy and a mature society, the military should assume a role that befits democracy," Roh was quoted as saying.

South Korea has been ruled by former generals since 1961 when late President Park Chung-Hee staged a military coup.

Park was assassinated by his intelligence chief in 1979, which created a power vacuum, enabling Roh's predecessor Chun Doo-hwan to seize power through a 1979 military putsch with Roh's help.

Roh, himself a former general, was elected through direct popular vote in 1987 to a five-year single term, which cannot be renewable under the constitution.

French minister doubts US readiness for GATT accord

PARIS, Dec 3: The United States is showing no sign of compromise in the current GATT world trade talks, leading to doubts that it is serious about an agreement, said French Secretary of State for Foreign Trade Jean-Noel Jeanneney, reports Reuter.

In a speech to the Senate on Friday, released by the Finance Ministry today, Jeanneney noted the apparent signs of compromise on EC farm subsidies made by President George Bush at a US-European Community summit in the Hague on November 9.

"Unfortunately, there has been no new change in the positions defended by the Americans in Geneva to confirm this opening - rather the opposite," said Jeanneney.

"Under these circumstances, one might question whether the Americans really want to reach a deal," Jeanneney said.

"The Director General of GATT (Arthur Dunkel) has put forward a working paper on agriculture that is clearly unacceptable, provocative even, since for the most part it simply follows American arguments," he added.

The General Agreement on Tariffs and Trade (GATT) Uruguay Round talks are continuing at Geneva. Dunkel wants a deal by the end of the year, and The Hague meeting raised hopes the deadline might be met, as pledged by the G-7 summit this summer.

But Jeanneney said deal at any price was unacceptable.

"More than ever it is vital, in order to reach complete balanced agreements, not to be party to an exercise that consists of selling our interests short simply to get a deal before the end of the year," Jeanneney said.

"We would be better off taking a little more time and getting an agreement in tune with our interests."

Jeanneney said France was concerned at the tension building up because of the inflexibility of the US and other countries on the one hand, EC and GATT pressure to conclude on the other.

"Everybody wants the round to finish as quickly as possible, but nothing is worse than wanting to get a deal at any price."

Jeanneney listed what was at stake in areas like textiles, services, the opening of markets, subsidies and US retaliation against countries it deemed guilty of unfair trade practices.

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"I want to underline that in almost all those areas I have just mentioned, there is a considerable difference between the European and US positions, and no concession has been made by the US since the beginning, including in the last few days," he said.

"We deplore the fact that this reality is covered up due to the emphasis placed on the problem of agriculture, which is being made a condition for agreement in the whole talks."

Jeanneney also expressed some concern at the proliferation of regional trading blocs around the world.

"The risk, of course, is that there could be increased protectionism and we would be the biggest victims, since it is clear that regional integration in the EC has always gone hand-in-hand with an opening up to the rest of the world."

GATT must see to it that these blocks did not put intra-regional trade before world trade.

"There's no contradiction between regional integration and trade liberalisation if the two developments go ahead at the same time," he said.

Japanese firms defy profits for growth

Do Japanese firms sacrifice profits for increased growth and market share? US economist Alan S Blinder says evidence suggests that Japanese firms defy conventional economic wisdom by investing in growth and market share even when the returns on such investment would be unacceptably low by Western standards, according to Washington Economic Reports.

Since the emergence of Japan as one of the world's preeminent economic powers in the 1970s, Japanese business practices have been closely scrutinized by economists and business analysts concerned about shrinking markets for Western-made products and eager to understand one of the greatest industrial and commercial expansions in history. While recognizing the role of political and social factors in Japan's "economic miracle" - a highly motivated, well-educated

workforce, strong political support for foreign trade, loyalty between firms and employees - many Western analysts attribute the expansion of Japanese firms chiefly to the comparatively lower costs of capital in Japan.

In an article entitled "Profit Maximization and International Competition," published in "Finance and the International Economy: 5 - The AMEX Bank Review Prize Essays," Blinder says this explanation cannot account for why Japan was able to expand its commercial and industrial capacity rapidly from the 1950s through the 1970s - a time when Japan had no cost of capital advantage over the United States. Summoning a weight of admittedly anecdotal evidence garnered from Japanese and Western economic sources, and from foreign businessmen with long experience in Japan, Blinder suggests that Japanese firms create their own cost advan-

tage by accepting minimal returns on investment in return for growth and market share, and using their high production rates to incorporate new technology into their products faster than their American and European rivals.

That Japanese companies generally place more importance than Western firms on long-term goals is by now a generally accepted maxim. But Blinder's thesis is that firms in Japan appear to be willing to accept indefinitely a situation where profits are reduced in return for growth. Citing a 1981 survey of US and Japanese companies conducted by Japan's Economic Planning Agency, Blinder says that American companies listed return on investment as their principal objective. "Stock market price was a distant second and market share finished third. Japanese companies, by contrast, put market share first, return on investment second, and intro-

ducing new products third. Very few even listed stock market prices among their top ten objectives."

To illustrate the point, Blinder reviews the records of two large and fiercely competitive electronic firms in the United States and Japan. During the 1970s, he says, Nippon Electric Company (NEC) grew much faster than its American rival, Motorola, and greatly increased its market share. During those years, however, Motorola's return on assets ranged between 9.4 per cent and 16 per cent while NEC's ranged between 4 per cent and 7 per cent. "Although Motorola was the more profitable company," he says, "it is now dwarfed by its Japanese competitor" which is using its greater production capability to underprice Motorola in the marketplace and to gain technological advantage by rapidly introducing new products.

Blinder says the willingness of Japanese firms to accept lower rates of return on investment means that they will act as if they have a lower cost of capital than Western firms when, in fact, capital costs are the same. The result is two different criteria for success in the marketplace. Eager to sell more products at lower prices than their profit maximizing rivals, says Blinder, Japanese firms compete ferociously in markets where the profit margin is so thin that Western firms are disinclined to remain.

This difference, Blinder argues, gives the Japanese a natural edge in competition: even if earning relatively low profits, they can succeed by their criterion - they are growing larger - while Western firms are failing by theirs - they are not earning a competitive rate of return. Under these circumstances, says Blinder, beleaguered Western firms naturally view such competition as unfair. "The Japanese are, after

all, selling below full cost - including an appropriate return on capital. The Japanese, who are just practising business as usual, find the charge perplexing."

Such an approach can also explain, says Blinder, why Japanese firms sometimes seem so eager to acquire foreign assets at prices that firms in the West would find inflated: "A firm that is more concerned with size than profits will be eager to acquire assets. It will therefore systematically 'overpay' for properties - if these properties are valued according to the discounted present value calculations relevant to profit maximization... Whether it is Hawaiian hotels, New York skyscrapers, or interests in investment firms, American observers always seem to claim that the Japanese overpay for the assets they buy. That is, of course, why the Americans sell so eagerly."

Government of the People's Republic of Bangladesh
Office of the Superintending Engineer, RHD
Special Project Circle, Ailenbari
Dhaka
RHD, Notice Inviting Tender
Sealed Tender Notice in BD Form No 2911
1. Tender Notice No : 1 (SPC) of 1991-92.
2. Name of work : Construction of Residence-Cum-Office Building of the Chinese Construction Team in connection with Mahananda Bridge at Chapai-Nawabgonj, Rajshahi under Special Project Division, Dhaka during the year 1991-92.
3. Name of the offices : Executive Engineer, RHD, where Tender documents are available : Special Project Division, Dhaka/ Executive Engineer, RHD, Planning & Programming, Sarak Bhaban, Ramna, Dhaka/ Executive Engineer, RHD, Special Project Design Division, Dhaka/ Executive Engineer, RHD, Road Division, Rajshahi during the office hours except government holiday.
4. Name of the offices : Superintending Engineer, RHD, Special Project Circle, Ailenbari, Dhaka/ Superintending Engineer, RHD, Project Control Circle, Sarak Bhaban, Ramna, Dhaka/ Superintending Engineer, RHD, Road Circle, Rajshahi/ Executive Engineer, RHD, Special Project Division, Dhaka.
5. Last date of selling : 22-12-1991 Eng/7-9-1398 Beng.
6. Last date & time of receiving tender documents : 23-12-1991 Eng/8-9-1398 Beng up to 12-30 PM.
7. Date & time of opening the tender documents : 23-12-1991 Eng/8-9-1398 Beng at 12-45 PM.
8. Estimated cost : Tk 97,02,460/00.
9. Earnest money : 2% (Two per cent) of the estimated cost.
10. Eligibility of contractor : RHD, "A" General category contractors and RHD "A" and "B" Special category contractors.
11. Date of completion : 150 (One hundred fifty) days from the date of Work Order.
The authority reserves the right to accept or reject any tender or all tenders without assigning any reason thereof.
Md A B Siddique
Superintending Engr, RHD,
Special Project Circle
Ailenbari, Dhaka.
DFFP(G)-14405-30/11
G-1023