

# I have accomplished a lot: Bush It won't cure problem: Economists

TOKYO, Jan 10: President Bush's trade mission to Japan ended in a final round of finger-pointing: U.S. automakers were unhappy with vague trade pledges, while the Japanese said the White House was making them a scapegoat for America's inability to cure its economic ills, reports AP.

Bush was en route home Friday at the end of a 12-day journey to Australia, Singapore, Korea and Japan.

Speaking to reporters aboard Air Force One just prior to takeoff, said he thought he had "accomplished a lot" although "it will take a while for people to realize what did happen." Earlier, he said the trip resulted in "leveling the playing field" in U.S.-Japan competition and winning jobs for Americans.

Japanese Prime Minister Kiichi Miyazawa's assessment was effusive: "In the history of the human race, never before have two nations of such different history and culture deepened such a relationship of mutual interdependence."

But smiles were scarce way from the formalities. After the talks ended, U.S. automakers accompanying Bush complained that Japan's promises to buy 20,000 more U.S. cars per year, to double purchases of US auto parts, to relax car inspection standards and boost sales of other goods weren't nearly enough.

Some Japanese officials were offended by the very presence of the U.S. executive whom they viewed as trying to give them a hard sell. And Japanese negotiators accused U.S. officials of violating free trade principles with their insistence on sales targets for U.S. goods in Japan.

Within minutes of Bush's announcement of the details, the automakers voiced their unhappiness. Chrysler Chairman Lee Iacocca said the agreement "doesn't sound like a lot of the cars."

"The bad news is that I think the proposals that are on the table as far as the auto industry is concerned are inadequate," added Herald A. Poling, Chairman of Ford Motor Co.

Aboard his plane, Bush shrugged off the criticism, saying, "Maybe some had their sights set a little higher, like

trying to have some managed trade, but that's not what we're going to do."

His staff handed reporters aboard the plane supportive statements from the paper industry and the American Electronics Institute saying the results of talks should significantly increase their access to Japanese markets.

## Economists

Another report from Washington says: The concessions President Bush won from Japan will do little to cure America's trade problems, economists said

Thursday. Private economists were unimpressed with the commitments Bush obtained during his four-day visit to Japan. They said promises will not stop the trade deficit from worsening significantly in the next two years.

"The history has been that the Japanese say all the right things, pass a few rules and then we make absolutely no progress in getting the trade deficit down," said David Wyss, an economist with DRI-McGraw Hill Inc.

Analysts believe that America's total merchandise

trade deficit dropped to about 68 billion dollar in 1991, the first time since 1983 that it has been below 100 billion dollar.

That improvement reflected gains in US export sales but even more importantly a drop in imports as the recession cut into consumer demand both for American and imported goods.

Despite the new agreement with Japan, Wyss said, the American deficit is likely to surge by 61 per cent over two years, climbing to dir 78 billion this year and dir 110 billion in 1993, as the country fi-

nally shakes off the recession.

President Bush said in Tokyo that Japan had agreed to 11 arrangements designed to boost U.S. exports of automobiles and auto parts, paper, glass and semiconductors.

Three-quarters of America's 41 billion trade deficit with Japan is in the auto sectors in that area, the president extracted a loose pledge from the Japanese to buy 20,000 more U.S. cars per year and to double purchases of U.S. auto parts to 19 billion dollar by fiscal 1994.

Bruce Steinberg, an economist at Merrill Lynch and Co. in New York, said he viewed the new agreements as an attempt by the Japanese to pay "vague lip service" to an attempt to reduce a growing trade gap.

He said Bush's trip had overshadowed the real problem American companies are having in trying to remain competitive in a quickly changing global market.

"The key issue is whether we are going to have enough of the leading-edge technologies of the 21st century to maintain our standard of living," Steinberg said. "There is some hard work we have to do at home."

C. Fred Bergsten, head of the Institute for International Economics, said Bush made a tactical mistake in focusing on the auto sector rather than spending more time trying to coordinate auto sector rather than spending more time trying to coordinate economic fundamentals such as interest and currency exchange rates between the two countries.

He said Bush should have pressed the Japanese to boost their own demand and to allow the yen to strengthen further against the American dollar, which would have the effect of making American products cheaper and thus more competitive in Japanese markets.

Such actions, Bergsten calculated, could have reduced the U.S. trade deficit by 20 billion dollar to 30 billion dollar annually, creating a half-million American jobs, far beyond the tiny impact Bergsten foresaw for the trade concessions Bush did achieve.

## Japan jolts the Americans

TOKYO, Jan 10: In a summit of many symbols, perhaps the most potent was the image of President Bush, who towers over Prime Minister Kiichi Miyazawa, lying helpless and gasping in the latter's arms, writes AP.

None of the summit's fine echoes of the past — the Tokyo Declaration affirming the US-Japan alliance, the toasts, the smiles — could obscure the fact Bush came begging for help on this trip, dragging in two another symbol of America's economic impotence: the Big Three automakers.

True, the four-day Bush visit, which ended Friday, largely followed the pattern of postwar US-Japan relations. There was, as always, bullying from the US "big brother" and concessions from Japan.

But this time the American posturing — We won the bot war, we won the Cold War; we're the leaders of the world; Chrysler Chairman Lee Iacocca declared — rang hollow to Japanese ears.

And it deepened doubts about the future of the two nation's relationship, though no one here is willing to call it quits yet.

As the summit drew to a close, Bush declared triumphantly. "The message has been received." He was talking about Japanese market-opening concessions he hoped would produce US jobs, and may be contribute to his re-election this year.

But the message Japan got was of a weakened America, insultingly arrogant and intransigent, betraying its principles of free trade by making the centerpiece of its demands a sales target that would require Japan's automakers to directly help their hapless US competitors.

"As a result of Japan's having witnessed such a weakened America, the 'kenbel' (dislike of America) that is sprouting in our nation... will never disappear," the leading Nikkei newspaper wrote Friday.

Earlier in the week, Iacocca and the chairman of General Motors angrily rejected Miyazawa's offer of "compassion" for America's economic troubles. "I really don't want

Miyazawa's sympathy," grumbled GM chief Robert Stempel.

Unfortunately, that is just how many Japanese, from top bureaucrats to housewives, now view the United States: a superpower as exhausted as Bush appeared during his collapse at a state dinner on Wednesday night.

"I'm sad America has been reduced to this," said Masao Kurihara, a socialist parliamentarian who said tensions were getting serious if a pro-American like himself was angry with the United States.

America used to be a shining example of efficient production, and good-quality merchandise," said Kurihara. "I feel a nostalgia toward that America. What can we do to remedy this situation?"

Few Japanese assessments of the summit were that generous.

The feeling of many Japanese officials is that the US-Japan relationship can be maintained if the United States allows Japan to become a truly equal global partner.

That means being consulted on joint diplomatic initiatives such as the Gulf crisis, for example, rather than being simply told what America is doing and expected to follow.

Standing in the way of the new relationship, however, is Japan's unreadiness to take the decisive action necessary for such role.

Perhaps an even greater obstacle is the unpleasant fact that with the fall of the Soviet Union, Japan and the United States have become far more obsessed with their economic rivalry. The two countries' chronic trade imbalance lies between them like a Gulf. Americans blame it on closed markets in Japan; most Japanese view it as a result of US companies' ineptitude.

In truth, there have been numerous cases of US companies blocked from entry into Japan; unfortunately for Bush, the Big Three were the worst possible symbol of that since even they admit they haven't made major efforts to sell here.

## OPEC output cut seen a must to boost prices

LONDON, Jan 10: OPEC needs to cut its production to stem the slide in world oil prices and boost a market currently awash with crude and refined oil products, oil traders say, reports Reuter.

If they (OPEC) want to get a good price — anything above 17 dollar (per barrel) — they will have to cut their output. Otherwise we are staying here and looking at 16 dollar as our next target, one physical trader in the Mediterranean said.

Brent crude oil futures on London's International Petroleum Exchange (IPE) said to ann 11-month low of 16.68 dollar per barrel for February barrels, down 24 cent from Wednesday's close.

That was lowest level seen since February 26 last year — the day before Gulf-allied forces entered Kuwait city in their drive to push Iraqi troops out of the emirate when the near month hit of low of 16.50 dollar.

February Brent later edged back up to 16.86 dollar but that still represents a fall of 1.26 dollar from last Friday.

A number of factors have led to this week's price slump. Everyone overinsured on the rally at the end of 1991. They expected the cold winter in Russian supply a wide surplus and increased demand. "We didn't get any of it and so we have a minor glut on our hands", one London-based analysts said.

And OPEC got their demand forecast badly wrong, he added.

A Reuter oil industry survey showed OPEC pumping 24.14 million barrels per day (BPD) in December, up 40,000 BPD

from November. Prices fell sharply Wednesday after the American Petroleum Institute's weekly US stock data showed builds of over three million barrels of crude and over five million barrels of gasoline.

Above normal temperatures in the United States and in Europe have resulted in a build up in heating oil stocks.

IPE gas oil for January loading traded last at 154.25 dollar a tonne down 3.50 dollar but up from the day's low of 152.25 dollar.

Talks between Iraqi and UN officials about resuming Iraqi oil exports are continuing in Vienna having apparently made some progress on Wednesday. Traders think the current price downturn would continue even if the Vienna meeting was not successful.

The only news now is bad news. Iraqi exports have been partly pencilled in but if they don't agree we should only see a short-lived recovery and then back down again," a broker said.

If they seem to agree we are talking about 16 dollar (on IPE February Brent)", one European refiner said.

OPEC is scheduled to meet in Geneva on February 12 to talk about oil production levels for the second quarter of the year, with several members having already called for output cuts.

Saudi Arabia, the world's biggest oil exporter and currently pumping over one third of OPEC production, would only cut their output marginally, one refiner said.

Saudi won't cut. It has obligations to the states.

## WB interest rates won't change

WASHINGTON, Jan 10: The World Bank will be holding its interest rates on loans to developing countries unchanged in the first half of this year, the Washington-based financial institutions said Thursday, reports AP.

The interest rate on these loans remains at 7.73 per cent, their level in the second half of last year.

The World Bank reviews the interest rates on its loans twice a year, in line with the financial costs of the lending giant.

## More jobless seek insurance in US

WASHINGTON, Jan 10: The number of Americans filing new claims for unemployment insurance jumped 22,000 in the last full week of 1991, the government said Thursday, reports AP.

There were 458,000 workers filing first-time claims for unemployment assistance during the week ending Dec 28, up from 436,000 the previous week, the Labor Department said. The figures are seasonally adjusted.

The claims number can be extremely volatile from week to week and analysts hesitate to read too much into it. Instead, they follow a four-week moving average of new claims, which was 465,000 for the most recent four-week period compared with 454,000 for the previous week.

Both numbers are considered recessionary levels, reflecting a stalled economy.

## Pound hits the bottom

LONDON, Jan 10: The pound fell about as low as it can go Thursday within Europe's currency stabilising grid, putting the government under increasing election-year pressure to raise interest rates or devalue the currency, reports AP.

After 15 months of enjoying the inflation-fighting benefits of Europe's exchange rate mechanism, the government is now paying the price.

The first line of defence is intervention in the foreign exchange markets. Although the bank of England was absent Thursday, it has been buying the pound to support it and has plenty of reserves to intervene again, dealers said.

The pound fell to finish at 2.8320 German marks, its lowest level since the pound joined the European exchange rate mechanism in October

1990 and nearly at its lower limit of 2.83 marks. The pound closed at 2.8362 on Wednesday.

"They will have to do something fairly soon," said Peter Kane, chief corporate dealer at Credit Suisse in London. "We're moving into the 2.83 level."

The mechanism does not affect the pound's rate against the dollar, but the trend was the same: The pound finished in London at 1.8130 dollar Thursday, down from 1.8710 dollar Wednesday.

Many analysts believe the government will be forced to raise interest rates — a politically distasteful option at a time of rising unemployment and record rates of business failures. The next national election is no more than six months away.



Russian President Boris Yeltsin Wednesday arguing with customers at a local food store in Saratov as he was trying to explain the new price policy. — AFP photo

## Russia bans essentials sale to commonwealth fellows

MOSCOW, Jan 10: The Russian government has banned exports of some consumption goods, particularly foods, to some other members of the Commonwealth of Independent States (CIS), the government press office announced here on Thursday, reports AP.

It said the products in question are in insufficient supply to cover the Russian population's needs.

The ban was signed on December 29 by Russian First Deputy Premier Gennadiy Burbulis, and says that the step was taken "because of the fact that a few states, former members of the Soviet Union, have imposed restrictions on exports of consumption goods to the Russian federation."

The official declaration on the subject issued by the press office on Thursday says the ban will not be applied to CIS members (names not indicated) that have not put any restrictions on trade with

Russia. The list of 60 products concerned includes all food products, wines and spirits, tobacco, fabrics and shoes. Others covered include electrical equipment, cameras, electronic devices, bicycles and valuable jewels.

The declaration says checkpoints will be set up on roads to enforce the measure.

In another declaration, according to a decision reported by Tass news agency, beginning next Monday, Belarus will make citizens of CIS members pay a tax of 100 rouble to cross the Polish border at Brest. An additional tax of 600 rouble will be payable for each car crossing at Brest, 1,500 rouble for a minibus, and 6,000 for a bus.

AP adds: A Russian official said he regretted his country claimed that 188 tons of donated British meat could be infected with "mad cow disease,"

the Tass news agency reported Thursday.

"We should have been grateful for this meat, instead of raising a scandal," Vladimir Chiburayev, chief of the Russian state sanitary inspection committee, told Tass.

His comments came after Russian received certification from the World Health Organization (WHO) that the frozen beef the first part of a planned 2,200-ton European Community food aid package was free of the disease.

Moscow officials rejected the meat, saying that it could be infected with bovine spongiform encephalopathy, known as "mad cow disease," which is harmful to cattle.

The World Health Organization also said there has been no single case of a human being contracting the disease, which gets its name as infected cattle tend to become uncoordinated and stagger.

## US businesses okay GATT plan

WASHINGTON, Jan 10: The US Council for International Business recommended in a letter to trade officials the United States accept the GATT Director's plan as a way to conclude trade reform talks under the General Agreement on Tariffs and Trade, reports Reuter.

## Dollar closes sharply higher

NEW YORK, Jan 10: The dollar closed sharply higher after a panicked bout of short-covering shortly after midday, reports Reuter.

Dealers were mixed as to which direction the dollar will head next, although most do not foresee a sharp move soon. The dollar closed at 1.5600/10 mark, up from the opening of 1.5245/52 mark and Wednesday's finish of 1.5070/80 mark. The US unit reached a high of 1.5710 mark.

The conflict between the Soviet Union and Ukraine over the Black Sea naval fleet also boosted the dollar, traders said.

US producer price and jobless claims data released Thursday had little impact on trading.

Sterling closed at 1.8155/65 dollar, down from the opening of 1.8605/15 dollar and the Australian Dollar at 75.56/61 US cent, up from 74.52/57 cent.

AP report from Tokyo says: Share prices plunged in thin trading on the Tokyo Stock Exchange Friday, while the US dollar finished sharply higher against the Japanese yen.

The 225-issue Nikkei Stock Average fell 731.74 points, or 3.16 per cent, closing the week at 22,381.90.

The Tokyo Stock Price Index of all issues listed on the first section, which gained 6.02 points Thursday, shed 39.25 points, or 2.30 per cent, to 1,660.16.

Abraham Katz, Council President, in a letter to US Trade Representative Carla Hills, said several proposals in the trade reform plan offered by GATT Director-General Arthur Dunkel deserve support.

Dunkel offered a plan to break the deadlock in the five-year round of negotiations.

"We believe the Dunkel draft should be accepted as the basis for further negotiations, much of it can be accepted, (but) there is a need for further significant improvements and clarifications in some areas," Katz's letter said.

AP adds: A coalition of 28 environmental and consumer groups is urging Congress and President Bush to reject the pending General Agreement on Tariffs and Trade.

In their letter Thursday, the groups said the GATT agreement negotiated during international trade talks in Uruguay "undermines environmental and consumer protection in the US and across the world."

Among those signing the letter were Greenpeace, the Sierra Club and Ralph Nader's Public Citizen organization.

Meanwhile, the European Community will insist on

changes in a compromise proposal offered last month to bring an end to world trade negotiations, a top official of the trading bloc said Thursday.

Frans Andriessen, a Vice President of the Community's executive body, said the trading bloc remained opposed to draft provision for reducing government payments to farmers.

In Bern, more than 15,000 farmers, some bearing coffins, blockaded the Swiss parliament Thursday to protest proposed cuts in agricultural supports.

Demonstrators said plans to reduce agricultural subsidies as part of efforts to lower barriers to world trade would force tens of thousands of Swiss farmers off the land.

AP earlier said: Jacques Delors, President of the European Commission, criticised US President George Bush Wednesday for seeking to make the European Community responsible for the breakdown in the Uruguay Round talks.

Bush wanted to make the EC a "scapegoat" during his visit to Australia last week "and I didn't like that," Delors told a press conference here.

## Business briefs

**4 held for red mercury smuggling:** Italian police have arrested three Hungarians and an Austrian on charges of smuggling red mercury, a substance that can be used to help make nuclear weapons (Hungary's MTI news agency reported, Friday according to Reuter from Budapest).

It said Italian authorities had informed Hungary's consulate in Milan that police had seized two kg of red mercury, which can be used as a superconductor to produce missile technology and nuclear weapons.

**Coconut oil strong:** Coconut oil prices have reached their highest level for three and a half years on the European vegetable oil market, supported by a dearth in the Philippines due to drought and eruption of the Mount Pinatubo volcano last year, London dealers said Thursday, AFP reports from London.

Coconut oil closed Wednesday at 750 dollar a tonne, its highest level since July 1988, against 715 dollar the previous day.

**US producer prices fall:** US producer prices fell 0.2 per cent in December, the labour department said on Thursday, pegging inflation in wholesale prices last year at the lowest in five years, reports Reuter from Washington.

The tame price picture could provide the Federal Reserve, the US central bank, with added leeway to cut interest rates again to jump-start moribund economy, economists said.

**Pak plan to grow tea in Kashmir:** The government in Pakistani-administered Kashmir said Thursday it had drawn up a comprehensive plan to cultivate tea in the state after experimental cultivation had produced encouraging results, AFP reports from Islamabad.

Agriculture Minister Shahid Hameed told reporters in the state capital of Muzaffarabad that experts engaged in similar projects in Pakistan had given the green light for cultivation in Kashmir.

**G-7 meet on Jan 25:** French Finance Minister Pierre Berégovoy confirmed Thursday that his counterparts from the G-7 group of industrialized states would meet on January 25 in Washington to coordinate efforts to spur world recovery, AFP from Paris reports.

"We will meet to examine under what conditions we can in a coordinated fashion move along the same path" toward economic recovery, he said in a radio interview.

# Mexico has come out of recession, says Salinas

MEXICO CITY, Jan 10: President Carlos Salinas de Gortari said Mexico has finally recovered from a decade of recession and his administration will now concentrate on improving education and social conditions, reports AP.

From an over-indebted and unbalanced economy, we have passed into one of healthy and disciplined growth," Salinas said Thursday. "For the first time in decades, there will be no government budget deficit but a surplus in 1992." The next priority is to improve Mexico's system of education, the president told the nation in a televised address.

"We will satisfy equitably the hope of all families that education prepare and equip (children) for work, freedom, democracy and love of country," he said.

Education, improving the environment and opening the economy to foreign imports and investments stand high among Salinas' priorities to prepare Mexico for a free trade agreement it is negotiating with the United States and Canada.

When signed, the agreement would set up a huge block of 340 million people with 6.4 trillion dollar in total annual trade.

A weak area has been Mexico's system of public education, which has been declining for decades, churning out masses of students able to read and write but few other skills to cope in the modern world.

School buildings are decaying, textbooks antiquated, teachers unhappy over low pay and academic records poor. Engineering and the sciences are particularly weak.

Salinas began reforming the system on Tuesday when he moved Ernesto Zedillo Ponce de Leon, a prominent economist in charge of the Budget and Planning

Department, to head the Department of Education.

Zedillo, who has been responsible for trimming the bureaucracy and whipping out the budget deficit, replaced Manuel Bartlett Diaz, an old-line politician, who quit. The budget department was merged with the treasury.

Salinas also promised to pour more money into his National Solidarity Programme, which aims to raise the living standards of Mexico's millions of poor by providing them better health care and basic services such as water, electricity and sewerage.

He indicated this was made possible because the economy has been growing annually since 1988 at nearly double Mexico's average two per cent population growth.

Economic growth had been near zero since 1992, when a sharp drop in crude oil prices plunged the nation into a severe economic crisis. When Salinas took office for a six-year term in 1988, Mexico was heavily burdened by a huge foreign debt it could barely service.

The government was saddled with a bloated bureaucracy and about 1,500 money losing state enterprises.

Inflation was running at an annual rate of more than 80 per cent, and the government budget deficit made up 17 per cent of Gross National Product.

The Salinas administration sold off most state companies to private enterprise. Foreign currency reserves are up from 5 billion dollar to an estimated 16 billion, and the budget ran a tiny surplus in 1991 — for the first time since the 1960s.

Inflation was down to 19 per cent last year and Salinas said he hopes to keep it below 10 per cent this year, although private economists say this is unlikely.



Sajjad Hussain, Branch Manager of IBM Bangladesh and Moyn Khan, Managing Director of Computer Solutions Ltd (CSL) signing recently an agreement appointing CSL the system remarketer for IBM RISC System / 6000 range of products in Bangladesh. IBM executives Shahzaman Mozumder and Nazirul Islam were present.