

'US risks being a colony of Japan'

## Chrysler boss urges sanctions on Tokyo

DETROIT, Jan 11: Chrysler Corp Chairman Lee Iacocca urged Washington on Friday to slap sanctions on Tokyo if the massive US trade deficit does not shrink and said the United States risks becoming a colony of Japan, reports Reuters.

He criticised President George Bush's trade mission to Japan as yielding "too little, way too little," and said US had to act if the 41 billion dollar trade gap between the two countries fails to narrow.

Evoking the spectre of economic warfare, he said: "We need to use our own weapon. That means demanding a solution to the problem now and retaliating now if we don't get it."

Iacocca declined to specify what form the retaliation should take.

"I don't want to get into specifics," he said. "I need some time to sort things out but I'll agree with the quotes I saw from (Ford Motor Co Chairman Harold) Red Poling and (General Motors Corp

Chairman) Bob Stempel this morning: too little, way too little."

He said more needs to happen on the trade front -- and fast -- or the United States will end up serving a distant master.

"We ship them food and chemicals and raw material -- just like a colony. And they ship us value-added cars, and machine tools and electronics -- just like a mother country," Iacocca said in a speech at the Detroit economic club.

The Chrysler chief's remarks won him a standing ovation from an audience of more than 2,500 people during the North American international auto show.

Detroit's big three carmakers -- General Motors, Ford and Chrysler -- are expected to suffer a loss of about six billion dollar for 1991, the biggest in US car history.

Japan, whose share of the US market rose to about 30 per cent in the same year, has

taken much of the blame for industry woes, characterised by GM's plan to lay off 74,000 workers.

Criticism also has been leveled against US carmaker executives such as Iacocca for granting themselves huge pay packages at a time when US jobs are being cut.

Iacocca's compensation package at Chrysler in 1990 totalled about 4.3 million dollar, according to Forbes magazine.

His speech came after Bush and leaders of the US car industry returned from a trade mission to Japan that won lukewarm reviews for its accomplishments at opening the Japanese market.

House of representatives majority leader, Democrat Richard Gephardt, last month unveiled a proposal to make Japan cut its trade surplus with the United States by 20 per cent in each of the next five years.

If the Japanese fail to reduce the trade deficit as

required by the proposed bill, restrictions on Japanese auto sales in the US market would be imposed.

**Japanese workers**

Another report from New York adds: Japanese working in the United States on Friday mainly judged President George Bush's visit to Japan as a failure for the American President, but sympathised with his efforts to revive the ailing US auto industry, reports Reuters.

The Deputy General manager of Mitsubishi Trust and Banking Corp in New York, Haruya Uehara, thought the trip "a failure for Bush."

Uehara sympathised with Bush's efforts, saying the President worked hard and "he even fell down in a faint for the big three."

The president of Daiwa Securities America, Inc, Nobuo Yonetani said, "It was Miyazawa, not Bush, who benefited from the trip." He came out of the

encounter very well, considering what difficulties he had in Japanese politics, Yonetani said.

"Although Bush has been facing various criticisms, he has coped well and worked hard, taking 21 (Business executives). In this way, I feel very sorry for him," Yonetani said.

There was little sympathy for Iacocca who has made some of the most scathing comments about Japanese trade policies. Indeed, some Japanese wondered pointedly whether Iacocca thought he had earned his 5 million dollar salary by ignoring the advice of Japanese businessmen about how to raise the quality of American-made cars.

Hiroko Tsubota Gruson, an executive search consultant with AT Kearney Inc, said as part of her work with auto parts manufacturers she would now seek American quality control engineers who would work with Japanese car companies.

## 'Reagan, Thatcher behind slow growth'

PARIS, Jan 11: Ronald Reagan and Margaret Thatcher are to blame for today's slow growth in the world economy, French Finance Minister Pierre Bérégovoy said on Friday, reports Reuters.

As western leaders prepare to meet in the United States later this month to discuss ways to kick-start their stalled economies, Socialist Bérégovoy said the ultra-free market policies of the former US President and British Prime Minister had caused the problem.

"If we're now having to chase growth because it is not as strong as we would like, it's because of the policies of Reagan and Thatcher in the 1980s," Bérégovoy told a conference on the future of Europe.

Both Reagan and Thatcher espoused the doctrine of "small government," cutting taxes, loosening controls on the economy and letting the market govern itself.

"Yes to freedom, no to anarchy," Bérégovoy said, adding that the idea behind regular meetings of leading nations' finance ministers -- like the one scheduled for the G-7 ministers and central bankers in the United States on January 25 -- was to bring some order to the world economy.

"Attached as I am to the market economy, I believe that, left to its own devices, it doesn't work very well," he said.

## Settlement may risk US loan to Israel

JERUSALEM, Jan 11: A US senator warned the policy of Jewish settlement in the occupied West Bank and Gaza could endanger US loan guarantees, reports Reuters.

In a Tel Aviv speech, US Republican Senator Phil Gramm, an advocate of the guarantees, told businessmen the policy could endanger the two billion dollar in loan guarantees Israel seeks each of the next five years to help absorb Jewish immigrants.

"If it is clear that the guarantees will end up... funding more settlements in the occupied territories, then the loan guarantee will not happen," he said.

## 'Washington not serious about Gulf cleanup'

WASHINGTON, Jan 11: US-led involvement in the Gulf War resulted in an environmental disaster in the region, but the United States is doing little to help clean up the mess, the environmental group Greenpeace said on Friday, reports Reuters.

The group said four to eight million barrels of oil spilled into Gulf waters, killing marine life and clogging 740 km of Saudi Arabia's shallow coastlines that are feeding grounds for birds.

It said 160 million barrels of oil now cover 60 per cent of Kuwait -- 20 times the amount of oil spilled into Gulf waters -- and that the 700 burning oil wells in Kuwait, set on fire by Iraq, polluted the atmosphere with soot, gases and chemicals.

Yet the United States is shirking its duties to help cleanup the disaster, Horsman said.

## EC plans to oppose farm subsidies cut

BRUSSELS, Jan 11: The European Community held firm Saturday in its opposition to reductions in farm subsidies proposed in world trade talks, but called for a quick end to the difficult negotiations, reports AP.

In a special five-hour session, trade and farm ministers of the 12-nation trading bloc thrashed out their position on a compromise proposal in the General Agreement on Tariffs and Trade (GATT), talks, designed to overhaul the world trading system.

"The European Community feels the (compromise) document in its present form is not yet a balanced document," said Portuguese Trade Minister Fernando Faria de Oliveira, whose country now holds the group's presidency.

A statement issued by the Portuguese said "substantial improvements and essential modifications" were needed in the proposal to win Community backing.

Arthur Dunkel, GATT Director-General, has given the 108 nations taking part in the talks until Monday to respond to his 436-page compromise plan for liberalizing world trade.

Shortly after he released the document last month, the community lashed out at proposals for cuts in agricultural subsidies, calling them unacceptable and demanding changes.

The ministers reiterated their unhappiness with the agriculture provisions. "We must be very vigilant," said French Agriculture Minister Louis Mermaz. "If we are not... we will find the negotiations sealed in a way that is very disadvantageous for the community."

The French, the community's largest exporter of farm products, have been the strongest opponents of changes in the community's expensive farm subsidy programme. Ireland has lined up with the French.

## US backs GATT plan

WASHINGTON, Jan 11: The Bush administration has given qualified backing to a Geneva draft proposal to reform global trade rules, but it has an uphill fight to win full-scale support from hesitant American businesses, reports Reuters.

The United States and the other 107 nations trying to fashion the reforms are to submit their initial responses to the draft next Monday at a session of the General Agreement on Tariffs and Trade (GATT) in Geneva.

US opposition to the draft has come from industries that range from holders of intellectual properties such as patents and copyrights to textile and clothing firms.

And a key Democratic Senator who often backs President George Bush on trade issues, Max Baucus of Montana, said he questioned whether the proposal, if not improved, could win the needed Congressional approval.

The National Association of Manufacturers (NAM), however, urged the draft be accepted as a basis for further negotiations.

GATT Director-General Arthur Dunkel offered the draft last December 20 to try to break the impasse in the

Even so, British officials insisted the trading bloc was more interested now in bringing the GATT talks to a successful end.

"There was definitely a positive sense that we had to get agreement," said British Trade Secretary Peter Lilley.

"The decision was in favour of a rapid conclusion," said Faria de Oliveira.

Officials said the ministers set out priority areas, including in agriculture, requiring changes to get an agreement.

The hotly contested issue of farm subsidies -- pitting the community against the United States -- has threatened to scuttle the entire round of negotiations, called the Uruguay Round after the country where they were launched in 1986.

In Geneva, Dunkel said Friday there was only limited room to make changes in his compromise proposal. Governments challenging individual parts of the accord, he warned, risked unraveling the complex negotiations.

### France

AFP adds: France was expected to fight a rear-guard action against European Community concessions on farm subsidies at a meeting of EC trade and agricultural ministers here on Friday and Saturday, diplomats said.

They predicted a struggle between France and Ireland on one hand and Britain, Germany and the Netherlands on the other over the ECs negotiating stance in an important GATT meeting in Geneva on Monday.

A senior British diplomat, referring to the weekend meeting of EC ministers, said "I personally predict a battle."

In December EC ministers gave a frosty reception to the compromise, pointedly refusing to accept it even as a basis for further negotiations.

French Agricultural Minister Louis Mermaz predicted last weekend that the EC ministers would continue to reject any further compromise.

## It's the beginning, says Bush

ABOARD AIR FORCE ONE, Jan 11: Heading home from a 12-day swing through Asia, US President George Bush said more work is needed to improve the US-Japan trade relationship, reports Reuters.

Bush told reporters on Air Force one that Japan's agreement to double imports of US-made car parts could create 200,000 new American jobs, but said that was only a first step.

"I think there's every reason to believe we did accomplish a lot," the President was quoted as saying in a pool report that was provided to news agencies before the plane landed at Andrews Air Force Base near Washington.

"It will take a while for

people to realise what is going to happen," Bush added. "But I look at it as beginning. We made some major accomplishments, and will go from here, follow up."

Before leaving Tokyo earlier on Thursday, Bush said trade talks with Japanese Premier Kichiro Miyazawa produced a series of specific agreements towards correcting Japanese trade practices that have long irked Americans.

But some US businessmen travelling with Bush seemed less than elated.

Other concessions involved agreements by Japan to make it easier for US computer, glass and paper manufacturers to sell their wares in the lucrative Japanese market.

Bush acknowledged differences with the auto executives.

Bush vowed to veto legislation being pushed by Democrats in Congress that would cut Japanese auto imports, calling it a protectionist measure that would worsen the already sluggish economic situation in the US.

He said his talks with Miyazawa were "very positive," but added "there were some differences, no question."

"We're talking about a major situation there that requires constant work," he said.

House Majority Leader Richard Gephardt said in a statement, "The agreement right now amounts to little more than pictures and press releases."

## Don't look to America, Mahathir tells people

KUALA LUMPUR, Jan 11: Prime Minister Mahathir Mohamad Friday criticised Malaysians for following declining trends on Wall Street and dampening local stock market sentiment, reports AFP.

"There (New York) they are not doing business, they are just selling companies and practically none of them are doing well and most are going bankrupt," Mahathir said.

"We should not be looking at the United States which is now the biggest debtor with trillions of debt when our economy is growing well in excess of eight per cent annually," he told reporters after

opening a business meeting. Mahathir said he could not understand why the Malaysian stock market was doing badly when the economy was upbeat and almost all listed companies were performing well.

"Just because of declines on Wall Street, the local market is adversely affected," Mahathir said, adding that the Malaysian government was concerned with the trend because it could wipe out substantial capital.

The Kuala Lumpur Stock Exchange's composite index, the local stock market barometer, showed a 2.21 points loss at 550.16 at mid-day.

## Russia will refix exchange rate

MOSCOW, Jan 11: Russia plans to introduce a new exchange rate for the rouble against the dollar, probably letting investors buy roubles at a rate of eight or 10 rouble per dollar, the head of Russia's central bank said on Friday, reports Reuters.

The rate, aimed at foreign investors, compares with the central bank's market-oriented tourist rate of 110 rouble per dollar and with the commercial rate of 55 rouble per dollar.

"We must stimulate investment from the West, but at the same time it is in our own interest not to sell our property for nothing," George Matyukhin said in an interview with Reuters.

Matyukhin said he hoped Russia could introduce the new exchange rate for investors soon.

"With (the current) exchange rate, we have proposals from investment companies willing to buy our economy for nothing," he said. "In order not to allow this kind of investment we will introduce a special rate of eight or 10 rouble per dollar."

The rouble, used as a currency both in Russia and in the 14 other republics of the former Soviet Union, is far

from fully convertible on world financial markets, with strict restrictions on buying and selling the currency.

AFP adds: Aeroflot, the airline of the former Soviet Union, said on Friday that it was increasing its international fares 30 fold with immediate effect, the Interfax news agency reported.

The fares will apply to all travellers from the 15 former Soviet republics and will be payable in rouble at exchange rates set by the Bank of Russia on the day of purchase. It will be possible to pay 15-30 per cent of the price in hard currency.

But if payment is made wholly and immediately in rouble, reservations of 45 days will be possible. If hard currency is used in part, reservations may be made up to six months in advance.

A source close to Aeroflot said that the price of a return ticket for the Moscow-Paris route would be 45,000 roubles or 262 dollars and 16,400 roubles. The price yesterday was 1,400 roubles.

But Aeroflot had not announced its new fare rates on Friday. Tickets bought before Friday would be respected, Interfax reported.

## Smuggling rampant in China

BEIJING, Jan 11: Smuggling is becoming rampant in China as gangs organise and become professional, the official Economic Information Daily said Friday, reports Reuters.

"From the beginning of last

year, smuggling activities have become more rampant by the day," the newspaper said in a report on a meeting between Dai Jie, Director of the General Administration of Customs, and top customs officials.

"A trend towards organis-

ation, professionalism and development is evident," it said.

China investigated 13,000 cases of smuggling involving goods worth a total of 714 million yuan (132 million dollar) in 1991, the newspaper said.



LONDON: British Airways hostesses Angela Wright (L) and Elizabeth Wilson holding what is claimed to be the world's biggest potato weighing 15 kg. The previous record was 10 kg. The potato was grown in Saudi Arabia and flown to the UK to be verified by the Guinness Book of Records.

## Crude falls below \$17 while metals gain ground

LONDON, Jan 11: Anticipation of a resumption of Iraqi exports saw North Sea crude fall below 17 dollar/barrel this week for the first time since the end of the Gulf war, reports AFP.

The market was expecting a meeting between the UN and Iraq to reach a compromise on partial resumption of Iraqi sales to fund purchase of basic necessities. The meeting had been scheduled to finish Thursday evening but was extended for one day.

In contrast, precious metals all gained ground at the end of the week after a depressed start. Platinum was lifted by a strike at South African producer Impala, which has been affected by a series of labour disputes since last July.

In softs, sugar traders continued to await the outcome of negotiations between Russia and Cuba on new trading arrangements. Russia was reported to be willing to supply Cuba with oil in exchange for a million tonnes of raw sugar.

Gold: Firmer after hesitant start. Gold eased slightly at the beginning of the week, reacting to the announcement the previous Friday by the Interfax news agency that the Russian government was going to authorities exploitation under licence of its gold mines.

Commenting on this development, tradehouse GNI said the potential implications were comparable to the Californian gold rush of the 19th century or, more recently, big increases in production in Australia, China and Brazil.

**Platinum:** Easier, then recovery. The market was supported at the end of the week by news of a strike at Impala, South Africa's second-biggest platinum producer, which stopped production at Balokeng North Mine and one of the company's processing plants.

**Silver:** Recovery after hesitant start. After a hesitant start, silver registered a strong recovery in the wake to the other precious metals.

**Copper:** Easier, then recovery. Three-month copper fell to its lowest point since May 1988, under pressure from the build-up in LME stocks, which reached a new seven-year high. Prices then recovered to previous levels on short-covering and in reaction to fears of a strike at Chilean state-owned miner CODELCO.

Miners were reported to be ready to strike over moves towards joint ventures with private companies -- viewed by unions as a form of backdoor privatisation.

**Lead:** Easier. Three-month lead moved lower in the first half of the week, following in

the wake of copper, before partially recovering towards the weekend. In a review of prospects for base metals over the next five years, specialists at research group Metals and Minerals Research Services (MMRS) said prices should recover strongly as new smelter capacity fails to keep pace with increasing consumption. The year 1992, however, would be difficult because of the overhang of supplies from the former Soviet Union.

LME stocks fell 350 tonnes to 126,000 tonnes.

**Zinc:** Steady. Zinc prices fluctuated in a fairly narrow range in feature less trading. MMRS warned that while other base metals faced a difficult 1992 followed by a period of recovery, the zinc market had developed a "serious structural surplus," which could take years to redress.

LME stocks rose 3,225 tonnes to 157,275 tonnes.

**Tin:** Easier. Tin drifted slightly lower over the week in lacklustre trading. According to MMRS, moves in the last year to erode the overhang of stocks and to cut production mean the metal should begin to recover this year.

By the middle of the decade, the price of tin, in real terms, in forecast to have doubled as producers fail to match expansion in demand with new capacity.

LME stocks of tin rose 305 tonnes to 13,975 tonnes.

**Aluminium:** Firmer. Aluminium prices moved higher in what traders said was a purely technical rally. Tradehouse GNI described the market as "bottoming out" but added that the metal's longer-term prospects were good. MMRS forecast that cancellation of planned new smelters in reaction to current weak prices would create a supply shortfall by the middle of the decade.

LME stocks of aluminium rose 17,100 tonnes to 1,026,050 tonnes, a new record high for any base metal.

**Nickel:** Firmer. Rumours that major producer Falcon Bridge was planning extra production cutbacks at its Dominican Republic operations sparked a rally which lifted three-month metal nearly 200 dollar per tonne. Gains were partially eroded by the end of the week as no firm news emerged.

LME stocks of the metal rose 1,686 tonnes to 13,536 tonnes.

**Coffee:** Firmer. Prices, which fell to a three-month low at the beginning of the year, rose strongly in a technical rally prompted by lower tendered against the January contract. Traders said the market's trend could be quickly

reversed.

**Sugar:** Quiet. Prices moved in a narrow range, awaiting results of negotiations between Cuba and Russia on new trading arrangement. German statistician FO Licht slightly downgraded its forecast of world sugar production in 1991-92 to 113.1 million tonnes (mt) from 114.06 mt. Last season's harvest was estimated at 113.76 mt. The market had been expecting a larger fall, so the forecast failed to bring any support to prices.

**Vegetable Oils:** Firmer. Vegetable oils progressed in the wake of coconut oil, which reached its highest level for three and a half years. The rise was due to forecasts of a further fall in the Filipino harvest this year, after a sharp drop in 1991 due to drought and the eruption of Mount Pinatubo.

Palm Oil was supported by rumours that India had bought 12,000 tonnes, while rapeseed oil gained ground after an Economist Intelligence Unit (EIU) forecast of a fall in production in 1992 and 1993.

**Petroleum:** Easier. Brent Crude, the benchmark for North Sea petroleum output, fell below 17 dollar/barrel mark for the first time since the end of the Gulf War in February, on anticipation of a resumption of Iraqi sales.

## Business briefs

**Russians call clear for beef:** Russian veterinarians gave the call -- clear on Friday for a consignment of about 2,000 tonnes of British beef to be sent to Russia but said future shipments could still face difficulties over fears of "mad cow" disease, reports Reuters from London.

The four vets toured an abattoir in Southern England and declared themselves satisfied with its high standards.

**Delhi to amend exchange act:** The government Friday indicated that the Foreign Exchange Regulation Act (FERA) would be amended to promote direct foreign investment, reports PTI from New Delhi.

Inaugurating a three-day seminar on 'changing investment climate in India' in Delhi Finance Minister Dr Manmohan Singh, said 'India has considerably liberalised the conditions of entry of enterprises from overseas and expects to sort out some more of the problems they face by amending the FERA'.

**Rao to attend Davos confce:** Indian Prime Minister PV Narasimha Rao will take part in an economic symposium to be held by the World Economic Forum (WEF) in Davos, Eastern Switzerland, from January 31 to February 4, the WEF announced here Friday, AFP from Geneva says.

A spokesman said Rao, like Chinese Premier Li Peng who had been expected in Davos on January 30 would not get there till after a United Nations Security Council summit scheduled for January 31 in New York.

**UN sending food to Ethiopia:** A UN agency said Friday it is shipping some 44 million dollar in food aid to Ethiopia because of persistent drought and to help feed returning refugees, reports AP from Rome.

The World Food Programme said 47,000 tons of food will be provided for 375,000 Ethiopians returning from Somalia. Another 25,000 tons of food will be shipped because of a drought that has affected parts of Ethiopia for a third consecutive year.

**EC for follow-up meet on aid to CIS:** The EC said Friday it wants to host a follow-up meeting to the Jan 22-23 international conference in Washington on emergency aid for the republics of the defunct Soviet Union, Foreign Minister Jao de Deus Pinheiro said after presiding an EC foreign ministers meeting. The European Community wants the second meeting to be held sometime in the Spring, reports AP from Brussels.