

Japan Plays Inconsistent Global Role

by Samar Roy

JAPAN—a member of the Asia-Pacific region and a partner of the defeated ally in World War II, has virtually taken the centre stage of today's world. The American century is over. The big development of the later part of this century is the emergence of Japan as a major superpower," said Clyde Prestowitz, the author of the "Trading Places: How we allowed Japan to take the lead." An efficient business network and electronics revolution transformed it into the biggest money supplier in the global economy.

In regional economies, Japan maintains good dealings with the ASEAN (Association of South East Asian Nations). Japanese exports went up from 6.3% to 11.5% and imports from 26.4% to 48% between 1985 and 1990 in the ASEAN.

Japan presently enjoys a trade surplus with the US.

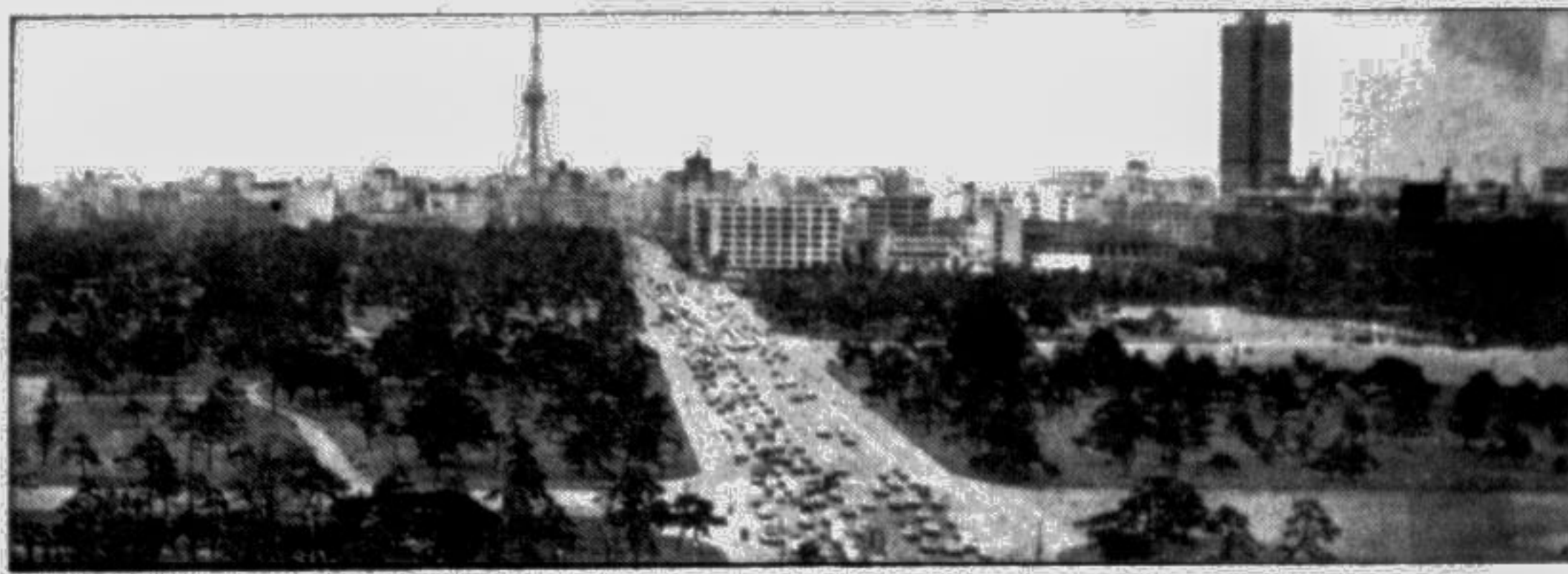
This surplus-generating trade system provides an opportunity for Japan to present itself as a mighty force in the global economy, and has pre-

role in the Gulf crises proved this: it provided more than US\$ 13 billion for supporting the US-lead multinational forces.

Japan is however under pressure to enhance the defense expenditure from 1% to 3% of the GNP by the US. The United States, on the other hand, spends 5.5% of the GNP as defense expenditure.

Responsible for weak performance of the Japanese

overseas diplomacy are the peace constitution (designed position because the members of the ASEAN already planned a proposal for the East Asian Economic Group (EAEG) under Japanese leadership; Japan has close contact with South Korea and Taiwan. But this is not enough to control Asia; country like India and China are present in Asia, without controlling them, Japan couldn't present herself as a mighty force in Asian politics.



The skyline of Tokyo today

The World War II ended, the United States came in an agreement with Japan and signed a treaty in 1951; the US has been enjoying facilities to keep her troops in Japan—indirectly the US took over control of the Japanese defense machinery. About 60,000 American troops in Japan, and 40% of the total cost for troops came from Japanese fund. Japan spends 1% of US\$ 63 Union GNP as defense expenditure.

As the biggest donor in the Official Development Assistance (ODA) Japan donates US\$ 9 billion annually, provides 2% of the fund in the World Bank and the International Monetary Fund (IMF). Japanese has US\$ 328 billion overseas assets, the amount of direct investment outside the country was US\$ 54 billion by 1990.

The division of Japanese aid money as enjoyed by different regions: Asian 63%, 15% by African, 8% by Latin American, 1% by Oceania, 0.2% by European as aid. Once the leader of the communist world the former Soviet Union is seeking Japanese money. And Japan already granted US\$ 2.5 billion for supporting the economic reform in the Commonwealth of Independent states.

Nine Japanese companies play significant role in the global market; 1) Cand I Toh Co 2) Kannematsu Goshu 3) Marubeni Corporation 4) Mitsubishi Corporation 5) Mitsui and Company 6) Nichimen Corporation 7) Nisso Iwa Corporation 8) Sumitomo Corporation 9) Toyo Menka Kaisha. In 1988, the amount of Japanese trade exchange was US\$ 448 billion whereas the position of the United States was US\$ 77.40b.

The Japanese banking network is at the top; the top 10 banks have Japanese ownership. In 1987, these banks provided 69% of the letter of credit for the United States Municipal Bonds. In Britain Japanese banks account for about 10% domestic market and thus made the banking networks the largest, the deepest and the most profitable in the world.

served its capabilities in money supply to the rest of the world. But such a mighty economic status will not necessarily give her the ground for controlling the global politics. Without contributing anything—either positively or negatively—in the world crisis, it can hardly expect to play a role beyond supplying fund for supporting the US activities. So, Japanese diplomacy is mainly characterised by 'Go behind the United States'. Japan's

in the aftermath of World War II, inward looking attitude among the Japanese with more interest in bread and butter than capturing the global politics, less attractive job in the ministry of foreign affairs than the overseas business the size of employed manpower is 7 million, only 4328 in the ministry of foreign affairs; which is half of the United States and is, the lowest among the OECDs. In regional politics the Japanese have an advantageous

Problems in controlling India and China

China, which has already projected itself as an advocate of the Third World Nations in the United Nations has bitter memories of Japanese dominance and has 18 times more arms manpower. Aid money from Japan is acceptable but dominant role over it by Japan can not be tolerated.

India, a member of the NAM (Non Aligned Movement) and a key member of the SAARC (South Asian Association of Regional Cooperation) has a firm commitment to its independent stature. Although Japan is currently the largest donor in India, it is reluctant to become dependent on any state.

Scopes for Japan are not enough in exerting herself as a mighty force in the global politics. But this isn't the last comment on Japan. Global politics is always changing. So the future role of Japan is very difficult to predict at this moment. Its role as the economic superpower is assured at the moment but supplementing it with corresponding political status seems to be shrouded in the future uncertainty.

Top Ten's Assets List (Upto 31.12.88)

Banking Company	Assets (US\$b)
Daichi Kangyo Bank	386.94
Sumitomo Bank	378.09
Fuji Bank	364.04
Sunwa Bank	348.36
Mitsubishi Bank	343.59
Industrial bank of Japan	257.58
Narai Chutrin Bank	241.94
Tokai Bank	225.12
Mitsui bank	219.67
Mitsubishi Trust	210.47

Source: American Bankers

Trade Balance (1986-90)

	86	87	88	89	90
USA	-145.1	-159.1	-127.1	-114.9	-108.9
JAPAN	92.8	96.4	95.0	76.0	63.9

Source: Japan Centre for Economic Research: Quarterly Forecast of Japan's Economy (No.77), March 91.

This surplus-generating trade system provides an opportunity for Japan to present itself as a mighty force in the global economy, and has preserved its capabilities in money supply to the rest of the world.

No-collateral Loans Give Malaysia's Poor Needed Break

by R Meena

WIDOW Rubiah Ahmad may not have heard of the Grameen Bank but the concept behind that Bangladeshi institution has lifted her family out of the clutches of extreme poverty.

In her case the concept came in the name of 'Ikhtiar,' which in Arabic means 'struggle to overcome obstacles.'

It all started five years ago in an impoverished village in Sabak Bernam, a district in Malaysia's northwest state of Selangor.

Rubiah and her fellow villagers, many of whom are rice growers, could not believe their ears when immaculately-attired men approached them offering loans of US\$2000 each free of interest, collateral and guarantors.

They were suspicious of these men who told them, again and again, that they could use the money to pursue income-generating activities. There must be a catch somewhere, they mumbled to themselves.

After much persuasion, they reluctantly agreed to borrow the money. Thus took root Malaysia's only private no-frills rural credit scheme for the poor.

The convenors of the scheme are a group of academicians attached to the Centre for Policy Research of the Science University, Penang.

The academicians modelled the scheme after the concept of the Grameen (or village) Bank which operates a successful credit programme for the very poor in Bangladesh.

Research by the university

showed that the poor remained entangled in the clutches of poverty simply because they lacked hard cash to pursue income-generating activities.

Says Professor David S Gibbons of the Science University who helped co-ordinate the 'Ikhtiar' project: "In the case of the poor in Malaysia, their main obstacle in overcoming abject poverty is the lack of avenue to obtain credit as they are considered unbankable by financial institutions. They have the skills but not the money to put them to good use."

He and his colleagues decided on the Grameen Bank approach because its rural

bandry. The result? Seventy per cent of the beneficiaries saw their monthly income increase by US\$29. The rate of repayment was good, 72 per cent for male borrowers and 95 per cent for females.

The results showed that the poor, especially the women folk, are bankable after all," says Prof Gibbons.

He cited the case of widow Rubiah, who sells iced drinks, as a borrower who managed to haul her family of four out of extreme poverty.

With the first loan of US\$200, she bought a gas-operated stove and an ice-shredding machine. Her net profit increased from US\$2 to

The repayment rate for the no-collateral loans is an astounding 99.7 per cent, a figure which makes even big commercial banks blush

credit scheme was one of the very free poverty-focused programmes anywhere in the world that have actually managed to reach and benefit the very poor.

The main differences between the Grameen and 'Ikhtiar' concepts are that 'Ikhtiar' does not involve a bank and its loans are interest-free.

The project was launched in the poverty-ridden village of Sabak Bernam in December 1986, and by the time it concluded in mid-1988, 4000 people had obtained loans amounting to US\$220,000.

The money was mainly utilised for business activities like hawking agricultural and non-agricultural products and running food and drinks stalls. Some used the loans for crop cultivation and animal hus-

bandry. After repaying the loan, Rubiah took a second one, of US\$720, which she used to install electricity supply at her stall and buy a second-hand refrigerator. Her net income saw a further increase of US\$10 a day.

Prof Gibbons, who was subsequently appointed its managing director, says ITM had grown beyond anybody's expectation.

"It has 31 branches in eight states and more than 8,000 borrowers—our initial estimation had been far less than these figures," he says.

And the results are tangible, too, as revealed by the impact evaluation studies on the loans extended. About two-thirds of the beneficiaries have been able to pull themselves out of

the poverty group. The repayment rate, meanwhile, is an astounding 99.7 per cent, a figure which makes even big commercial banks blush.

"I'm very happy with the result. It confirms our earlier research that if given a reasonable amount of credit, the very poor can improve their socio-economic positions," Prof Gibbons says.

Participants of ITM's loan scheme must earn less than US\$18 per month and form groups of five to quality.

Each member of the group will be responsible for the financial discipline of the others and they collectively decide on the viability of proposed projects and approval of loans.

They are also required to attend weekly meetings conducted by ITM field officers to discuss the progress of their projects and exchange notes.

Each participant can take up to four loans, ranging from US\$185 to US\$740, and is required to pay an administration fee of US\$9 for the first loan and US\$18 for the second. For subsequent loans, the charge is US\$28.

So far, ITM has disbursed about US\$1.3 million worth of loans and projections are that it would need a loan capital of US\$7 million to meet the needs of the poor over the next four years.

Prof Gibbons says discussions were underway with the Islamic Bank of Malaysia to establish the 'Linkage' to enable a group of 10 borrowers form Sabak Bernam to obtain loans of up to US\$3,000 each, with the ITM as guarantor.

"If this proves successful, we'll expand the linkage programme to the other states," he adds.

—Depthnews Asia

India

The Gulf Dream Revived

FOR tens of thousands of Indians, the pot of gold at the end of the rainbow is in Kuwait.

Flights to the Gulf are packed as construction workers, masons, clerks, nurses, mechanics and doctors return to the war-ravaged country. Before Iraq invaded Kuwait in August 1990, there were 170,000 Indians in the tiny oil-rich Gulf kingdom. While not all of them have been recalled, many have gone back to pick up the threads of a good life that suddenly snapped when Baghdad annexed Kuwait.

Thirty-three-year-old Yasmin Zubera has been offered a job in a Kuwaiti school. Her husband, a doctor, was recalled five months ago. Zubera says she will leave as soon as her papers are processed and a visa granted by the embassy in New Delhi.

"My old employer has offered to pay a bigger salary," says RA Nayar, a mechanical engineer who was earning at least US\$40,000 a year in pre-war Kuwait.

No one seems particularly concerned that life could be hard in a country that is being rebuilt almost from scratch. For many South Asians, a job in the Gulf—despite the uncertainties—is still without doubt a most desirable proposition.

Business is booming for manpower export agencies which are flooded with inquiries. Since March, agencies in New Delhi have registered a 300 per cent growth rate, and 600 per cent in Bombay.

Trehan International Consultants, one of the new companies that have mushroomed in the Indian capital, has placed over 350 people in jobs in Kuwait.

The call of Kuwait is strongest in southern Kerala state where almost all the 5,000 nurses who had fled the shikhdom in panic have returned.

Kerala, India's only fully literate state, has prospered the most with the Gulf boom. In some areas in the lush agricul-

tural state, almost every house has resident in the Gulf.

The economy has thrived on foreign exchange flowing in from Gulf workers who have repatriated roughly 5.7 billion dollars over the past few years. Consequently, the state has the country's highest bank-population ratio—one for every 9,000.

But while prospects are bright for Indian workers, Indian business has only gotten the crumbs of the Kuwait reconstruction cake. Sources in the commerce ministry say India got US\$50 million worth of business.

The major share has, however, been gobbled up by US and British companies, while countries like India are lobbying for subcontracts which officials here still hope to land.

The only major project that India has secured is a contract to restore Kuwait's telephone



India's Gulf dream

Thousands of Indian workers are trooping back to oil-rich Kuwait, hoping to resume the good life interrupted by the Gulf War. Shailendra Kumar of IPS reports.

services. State-owned Telecommunications Consultants of India Ltd (TCIL) surprised everyone by walking away with the lucrative contract.

The commerce ministry has set up a Special Group for Kuwait to assist Indian firms struggling to get on the reconstruction bandwagon. But observers are dismissive of the efforts and say there is little interest in Indian technical expertise in Kuwait.

Over the past nine months, several business delegations

have visited Kuwait but most of them have returned empty-handed.

Some business groups believe that India has lost out because of its muted reaction to the Iraqi invasion of Kuwait. Neither did New Delhi join the Western deployment in the Gulf soon after.

India's non-aligned position also disappointed many of the Gulf returnees who had feared

that Kuwait would not welcome Indian workers back after the war.

But with Palestinians and Yemenis either fleeing or being eased out in Kuwait and Saudi Arabia, Indians have been among the favoured foreign workers.

For intrepid Indian workers looking for lucre in the rubble of the Gulf war, the Gulf dream has not gone bust.

Rascalities that Plague Asia

Alan Chalkley writes from Hong Kong

ONE of the least edifying events of 1991 has been the exposure of the Bank for Credit and Commerce International as a fraudulent institution—or at least a giant criminal money-laundering scheme.

Unravelling its affairs will take many months, although some of the colourful charges levelled at this Pakistan-founded bank may turn out to be exaggerated.

On a smaller scale, there has been an Australian firm which offered people a mould-culture to be fed with milk, the result of which would be a profitable raw material for Swiss cosmetics. The firm promised that on an investment of some US\$4,000 investors could make at least US\$380 a month—which is 114 per cent a year! Several hundred people sent their money, but seem never to have asked themselves two questions: Why should a Swiss company ask small households thousands of miles away to carry out laboratory work of such a kind? How could a raw material, even in the high-priced cosmetic market, render over 100 per cent return so easily?

Latest in these revelations is a whole complex of companies in Australia, Malaysia and Hong Kong which have been used to loot millions of dollars by means of fake loans and a tangle of fictional share issues. The Hong Kong unit is Hongkew Holdings, connected

and she said she could guarantee 78 per cent profit.

Such a profit is very rare indeed, so thousands of people queued at her suburban house, including many high-ranking military officers. Indeed, for about a year they were given "dividends" of the promised size.

Alas, the payments stopped. Mrs Chamoy was running a "pyramid"—the old investors were being paid from new investors' money, and there were no tank-trucks of fuel at all. Yet, for several weeks before she was arrested, she protested that she was just a financial genius, under attack from jealous enemies.

In Taiwan, another pyramid scheme has been exposed. It is the Hung Yuan caper, which operated for over five years, incredibly enough, before it collapsed. This so-called "bank" advertised for term deposits, and promised a 50 per cent per annum return.

At one time it had 7,000 salesmen on the road, collecting billions from the public. And then— one day it couldn't pay out. And of course it couldn't: nothing in this world pays 50 per cent except perhaps theft.

In the Philippines, the tax and investment authorities are alarmed at the growth of similar frauds. Some are of giant size: a fictional "rural development programme" advertised for funds totalling many billions of dollars. When the management was traced, its premises were found to consist of a small office, a desk and a telephone.

One puzzling thing is that these pyramid operators can find hundreds of thousands of victims. Another is that the operators go merrily on, paying out from new deposits, seemingly not caring that the collapse must come.

A few, as we see, time their exit just before the police arrive, but not all of them. How can you recognise these frauds? At any one time, there is a kind of average rate of return expected on an investment in a country. Depending on the efficiency of the communications and the financial system, this can vary from, say, 10 per cent a year in Hong Kong to 25 per cent a year in urban Indonesia.

So check on the rates charged by moneylenders and credit card companies, too. Any promised rate of return which is significantly higher than those rates is immediately suspect.

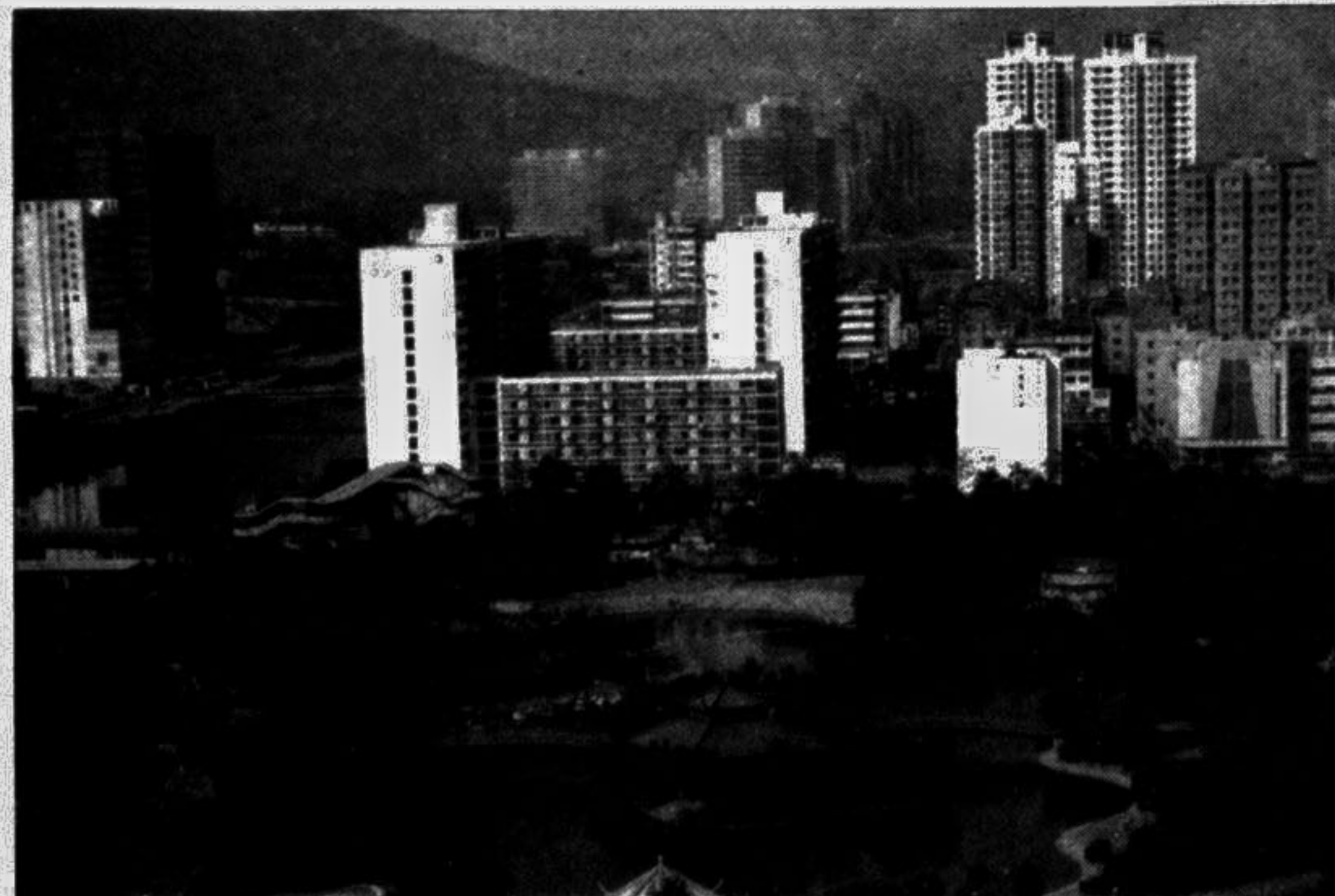
Also think to yourself: just what is the money supposed to finance? What activity? Is it reasonable that the activity can be so highly profitable? But finally, do not confuse these frauds with a number of ancient "informal banking systems" which are still operating over much of Asia—and usually effectively and honestly.

There are, for instance, the "chit funds," known by many names. They are non-profit cooperative banks on a very small scale. Members deposit sums periodically and equally, and each member in turn draws the total sum according to some form of selection.

These chit funds are of the vital financial aids not only in rural areas but even in the big cities. They still play an important role in building up local "real capital" in Sri Lanka, Korea and all over Southeast Asia.

Offshore Chinese and Korean societies in America and Europe still use them, as do certain European Continental societies (where they are known as "tontines"). They even have their own statute laws—in Sri Lanka and Hong Kong, for instance.

Then there is the hundi system in Pakistan and the Middle East—the transfer of funds "by trust". The payer gives cash in his hometown to the informal banker, who contacts a colleague in the distant payee's place, who pays out the equivalent. The transmission is fast, the charges are low, and there may be no paperwork at all.



Asian cities look good but...

It was the grand American showman PT Barnum who is alleged to have said that "there's a sucker — a fraud victim — born every minute." Later in life he strongly denied saying it, and that if he did say it, he was referring only to the gullible public who would pay to see his fake "mermaids" and circus monsters.

But judging by the long and continuing history of frauds, he was right. The Americans themselves have a word for these investment deceptions—they call them "Ponzis."

Mr Ponzi was an early cen-

with a Vanuatu-registered "bank."

Even in shrewd Osaka, a billion-yen fraud against the banks was carried out by Nui Onone, a restaurateur how claimed to receive "heavenly" advice on buying securities. The question sometimes arises: are some fraudsters deluding themselves as well as their victims?

In Bangkok, Mrs Chamoy, the wife of an Air Force Officer, being selling "rights" in petroleum products in transit. Investors could invest in a whole truckload or in parts,

In Vietnam, fraud has afflicted the cosmetic industry, too. The Thanh Huong Perfume Company of Ho Chi Minh City began producing a range of scents and lipsticks in 1986, and took in capital deposits on the promise of 15 per cent interest a month (180 per cent a year).

Only this year did the authorities get round to investigating the business. They discovered that total sales were worth only US\$4,500 a year, but the interest paid out was many times that figure. Thanh Huong was a "pyramid."