Tokyo blasts US protectionism

TOKYO, May 8: The government issued a trade policy statement Friday criticizing what it described as US protectionist measures and promising Japan would be second to none in promoting free trade, reports AP.

The 1992 white Paper on International Trade, drafted by the Ministry of International Trade and Industry (MITI) and approved by the Cabinet on Friday, also urged the United States to shift its economy toward domestic production and away from reliance on imports.

"In order to put the US economy on a path of sustainable growth, the United States should reinforce sufficient ability to export," the paper's summary said.

Despite widespread criticism from abroad about Japan's own trading practices, Tokyo used unusually strong language to criticize violators of free trade, including the United States.

The United States, it said, "has begun to depart from GATT General Agreement on Tariffs and Trade) regulations in deploying various protective trade policies and 'agreements on certain products" since the 1970s.

The paper said US pressure on Japan to impose voluntary export restrictions on cars was protectionist and chided Washington for invoking punitive measures such as the so called Super 301.

Super 301, a law that authorizes the US government to take action against nations found to be engaging in unfair trade, allows "one side of the countries involved with the conflict (to) make unilateral judgement on the basis of the very vague concept of 'unfairness,'" the policy paper said.

Ironically, usually the United States has been the one to vocally accuse Japan of protectionism.

In March, a US government report identified Japan as the country with the most trade barriers, ranging from its ban on rice imports to its non-tariff barriers on US cars and auto parts.

Japan's persistent trade surplus, which reached a record 113.4 billion dollar in the fiscal year that ended in March, also has been viewed abroad as an indicator of closed Japanese markets.

Chris Turner, an economic analyst at Barclays de Zoete Wedd Securities, was skeptical about all the talk of defending free trade in the white paper.

"I'm waiting to see it in action," he said. "The first move has got to be from Japan."

Although it did not use the term "protectionist" to describe Japan's own trade policies, the white paper acknowledged a need to open Japanese markets to foreign businesses and to adopt more open business practices. Satoshi Kuwahara, a government trade official who briefed reporters on the white paper, said Japan would play a more assertive role at GATT talks to penalize countries that violate existing international trading rules.

Japan may also withhold economic aid from developing nations that violated free trade, he added.

The white paper expressed concern that the removal of the Communist threat had loosened the ideological bond that made the United States and other Western nations free-trade crusaders.

As a result, many recession-struck nations are starting to turn politically and economically inward, it said.

Experts will meet to assess aid use from Monday

PARIS, May 8: A seminar of development aid experts from industrial states and 20 Asian and Pacific countries will be held in Kuala Lumpur early next week, the Development Assistance Committee (DAC) of the Paris-based Organization for Economic Cooperation and Development (OCED) said Thursday, reports AFP.

The three-day seminar, organized jointly by the DAC and the Asian Development Bank (ADB) from next Monday, will focus on aid evaluation.

DAC officials said the Asia-Pacific region includes a number of countries that have been unusually successful in their own development efforts.

They said they expected the seminar to provide practical evidence that appropriate evaluation of development projects and aid programmes and feeding the findings back into the design and management of aid could help give an impulsion to national development.

Japan, US two opposite poles in ADB

HONG KONG, May 8: Tokyo and Washington might technically be equal partners in Asia's premier aid institution, the Asian Development Bank (ADB), but at this year's annual meeting Japan has shown just who is driving economic progress in the region, writes Reuter.

During the three-day meeting here, Japan warmly greeted the idea of a massive increase in the bank's ordinary capital, offered huge loans to China and even agreed to regularly meet other Asian nations to discuss trends in financial markets.

The United States, meanwhile, expressed strong reservations about talk of an increase in Bank funds and has worked to slow the flow of money to countries such as Vietnam and China.

While many delegates to this year's meeting welcomed Japan's willingness to play a strong role in the region, many said they would prefer other economic powers to have an equally strong presence.

"There is nothing sinister about Japan's role, said Wyatt Creech, New Zealand's Associate Minister of Finance. "But we would like to see as many nations active in the region as possible.

Officials from some Asian nations have said that having several economic powers operating in the region would create competition between the two, benefiting Asian nations seeking investment and new markets.

While political concerns certainly play some role in the different polices of the ADB's two largest shareholders, many of those attending this year's meeting say the United States' stance is largely a matter of economic reality.

"The US policies in the ADB have to do with the budget process," said John Kerin, Australia's minister for Trade and Overseas Development.

"However it goes in the ADB, Japan is going to be the dominant nation in the region."

In addition to struggling with its own budget deficits, the United States is providing aid to the former Soviet Union in an effort to see that democratic reforms there take root.

Japanese aid to Russia, on the other hand, has been severely limited because of a long-standing territorial dispute between the two nations.

Japanese officials, who have often been criticised by the West for not taking a more prominent role on the world stage, have often said they prefer to devote their energies to Asian causes rather than to regions much closer to major donors such as Europe and the United States.

Many here welcomed Japan's commitment to Asia and thought it could use its power to win greater support for countries outside the region.

"If Japan would be in that position (to see the capital increase come through) I would certainly be very glad," said Johannes Sumarlin, Indonesia's Minister of Finance.

Indeed, may be no issue separates the two quite as clearly as the need to increase the bank's ordinary capital.

ADB officials here said they were seeking dollar 25 billion to dollar 30 billion to fund expected heavy demand for bank funds in coming years — which would increase existing capital by more than 100 per cent.

While Japan's Finance Minister Tsutomu Hata said Japan would play the role expected of it, the United States has shown little appetite for putting up a massive increase in funds, much to the irritation of some attending the meeting.

"Its a very bad attitude for the US to take," said Harry Collins, Second Secretary at the Finance Ministry in South Pacific nation Vanuatu. "The US preaches a lot, but in reality they are not taking the initiative."

For its part, Japan does not even like to contemplate a reduced role in the ADB for the United States.

Both nations hold roughly 15 per cent of the Bank's voting power. A senior official from Japan's Finance Ministry said he wanted to see the two nations continue to hold the same share.

Indeed, when push comes to shove, most here expect the United States to sign on to a capital increase for the Bank, which will keep its voting power on a par with Japan's.

But the contribution will keep them equal in name only with Japan contributing significantly more to the Bank through avenues such as the Asian Development Fund.

"Its unfortunate," said Collins from Vanuatu. "We would like to see several powers in Asia. Not just one."

Singh expects 6 pc Indian growth

NEW DELHI, May 8: India's economy, bought by foreign investment, aid and freed of many government controls, could return to five to six per cents annual growth in the next fiscal year, Finance Minister Manmohan Singh said.

"If we can stabilise our foreign investment capital inflow at 1-2 billion dollar per annum, our economy (GDP) should grow at the rate of five to six per cent, " he told Reuters in an interview.

Singh said he expects foreign investment commitments of one billion dollar in 1992-93 (April/March) against 500 million dollar last year and less than 100 million dollar the year before.

Last year (1990-92) our economy grew by about three per cent per annum. That was the first year of the reforms. This year, at the worst, the same rate will be achieved", said the Oxford, educated former economics Professor.

"After the current financial year, if we have successful fiscal consolidation, then our economy would go back to a growth path of the order of 5-6 per cent, Singh said.

Since taking over as India's Finance Minister last June Singh has designed a revolutionary programme of reforms to India's state-controlled economy.

The government has allowed foreigners to take a majority stake in joint ventures, abolished licenses on domestic industry, decontrolled trade, made the rupee party convertible, and started liberalising the nationalised banking system.

"I think the reforms would move at a much faster pace than ever before if we had somewhat larger amounts of foreign exchange to play with and if we had some grand uncle to take care of the balance of payments situation, he said.

India was in the throes of balance of payments crisis last year when foreign banks stopped new lending amid political uncertainty.

India held a general election in 1991 which brought in a third government in two year. That year the Gulf crisis had sent oil prices soaring, draining already dwindling foreign exchange reserves.

Today reserves are up to dollar six billion from less than dollar one billion in July, and India is locked into a painful fiscal reform programme with the International Monetary Fund (IMF), which lent India dollar four billion last year.

Singh said "India's foreign debt was dollar 71 to dollar 73 billion" but was manageable, despite the fact that over two thirds of the country's new loans are earmarked to pay off old debt.

It's true, net transfers are very small, a very large part of our (loans) is being used to repay our debt, Singh said.

But I think India's dependence on the outside world is pretty small," he added, India's current account deficit is 2.5 per cent of its GDP- total debt is less than 25 pct of GDP around 70 per cent of the debt is long term, only seven per cent is short terms.

"India's debt structure is, I think, manageable".

I'm a reformed socialist

NEW DELHI, May 8: Finance Minister Manmohan Singh, the economic Tsar overseeing India's transformation into a market economy, said on Thursday he is a reformed socialist who still believes in social justice and equity, reports Reuter.

"I have changed in some ways but I think in some essential ways I have also not changed," the soft-spoken grandfather told Reuters." I sincerely believe that economic policies ultimately have to serve human beings."

Singh has unveiled radical changes to an economy steeped in socialism since becoming Finance Minister last June.

Singh abolished industrial licenses, slashed import duties and gave incentives for foreign investment, helping restore international lenders' confidence in India.

Relaxing in his office nearly the size of a tennis court, Singh, 59, said he was influenced in his youth by theories that the state must play a dominant role in India's economy.

"That was the dominant theory then and it came from the West as well as from the East. Over time I have certainly come to recognise the limitations of excessive reliance on the state and on the public sector," the former bureaucrat said.

Singh's vision is one of a modern India fully integrated into the world economy while tackling poverty and other social problems in the country of 850 million people.

"Ours must be an economy and polity in which we can deal with the ancient scourge of poverty, ignorance and disease which affect millions of people," said Singh, wearing a turban required of Sikh men and dressed in a simple white shirt over white trousers with sandals.

Destiny has favoured the man and his vision time and again, though he says, " I never believed in destiny or fortune. I never planned my career."

The bespectacled Singh, who says he is bad at figures," was surprise at being chosen as Finance Minister, although he had no hesitation in accepting the job.

Since taking office, he has worked feverishly in preparing budgets and combing through the fine print of agreements with the World Bank and the International Monetary Fund, from whom India borrowed dollar four billion last year.

He said India needs dollar 2-3 billion in quick-disbursing loans from multilateral institutions such as the World Bank and the IMF over the next two to three years." So we are not making exorbitant demands on the international system."

Singh said "India can and should sustain a much larger inflow of foreign investment" even above the ambitious dollar 1-2 billion a year he is planning for.

It is my hope that as the economy liberalises, India will take much larger inflows of direct foreign investment, in fact, most people I have talked to think dollar 10-15 billion inflow of foreign investment for an economy of India's size is not unrealistic.

"I'm not making my plans on that. If they come, so much the better. We will welcome them and we will create facilities for expanding the flow of direct foreign investment."

Sung Oh Shin, Ambassador of the Republic of Korea called on Mahbubur Rahman, President of Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) on Wednesday at the FBCCI office in Dhaka. They discussed about Bangladesh's participation in Taejon Expo'93 and Korean cooperation in promotion of investment in Bangladesh.

German strike ends

BONN, May 8: Germany's main public service unions Thursday evening said they were suspending the country's longest strike since World War II, after the government gave in to pressure and improved its pay offer, reports AFP.

"We think work will resume Saturday morning wherever possible," said Monika Wulf-Mathies leader of the OETV, the main public service union.

However, the wide range of reactions from other unions indicated that the rank-and-file may not be completely happy with the government's new offer of an average 5.4-per cent pay rise, observers said. The unions had been demanding a 9.5 per cent salary increase.

Lebanese suspend strike

BEIRUT, May 8: Lebanese trade unions, behind riots that toppled the Syrian-backed government, said they would suspend a general strike but set a 10-day deadline for a new administration to be formed, reports Reuter.

The strike which paralysed most of Lebanon would be lifted Saturday, the unions said.

But they warned embattled President Elias Hrawi that any delay in setting up a corruption-free government to push for economic recovery would bring renewed civil unrest.

Hrawi began the search for a new Prime Minister to replace Omar Karami, ousted by nationwide riots Thursday which western diplomats said sent a clear warning to Damascus—with 40,000 troops in the country, the main power broker in Lebanon.

Gorby amid cheering traders

CHICAGO, May 8: Former Soviet President Mikhail Gorbachev shook hands and chatted with some kings of capitalism Thursday at the world's largest commodities exchanges, reports AP.

During a tour of the Chicago Mercantile Exchange, Gorbachev urged officials to think globally when thinking about economies.

"We must think about the future and what that future should be," he told chairman John F Sandner and the Merc's board of directors.

"We have, all of us, to work together," Gorbachev said through a translator.

He questioned Sandner about this nation's recession and the long—term outlook for the world's market, then pushed into the trading floor, clearly pleased with the boisterous reception he received from traders.

"Gorby! Gorby!" shouted traders as Gorbachev crowded onto the floor of the Mercantile's Standard and Poors 500 trading pit.

"Buy some (pork) bellies!" one trader urged the Soviet Union's last president, who received a one-word explanation from a Merc official: "Bacon."

Gorbachev joined three other men — President Bush, Ronald Reagan and Mexican President Carlos Salinas de Gortari —who have been named honourary members of the Mercantile Exchange.

Gorbachev, accompanied by his wife, Raisa, was presented with several gifts, including a scarlet trader's jacket, which read "Perestroika Futures."

Saudi bid to boost money market

(Bahrain), May 8: Saudi Arabia will introduce a reverse repurchase facility for government treasury bills on May 16 in a pioneering step aimed at further developing its money market, Riyadh-based bankers said, reports Reuter.

Dealers said the Saudi Arabian Monetary Agency (SAMA) notified banks of its plans for the facility, which will translate into a floor for rates on overnight funds, in a telex on Wednesday. Further details were expected next week.

SAMA set up a repurchase facility — through which banks can sell it the securities at a set rate under an agreement to buy them back later — when the bills were launched last November.

Bankers have since been waiting for the introduction of a reverse repurchase facility, which will provide them with a new mechanism for disposing of excess cash.

Saudi banks, which are highly liquid, normally sell unwanted riyals for dollars at the end of interbank trade each day.

"It's a very progressive step. This will give Saudi Arabia the only financial system in the Gulf where banks have a means to both obtain and offset liquidity against government paper", one treasury head said.

The move would also give SAMA a tool to influence monetary policy comparable to the way the US federal reserve works and would probably stem the flow of currency out of the kingdom through the banking system, he said.

Bankers expect SAMA to set a fixed spread between the existing repurchase and new reverse repurchase rate, but this was not yet known. Predictions range from 15 to 50 basis points.

Iran drops foreign investment limits

TEHRAN, May 8: Iran government has decided to drop limits on foreign ownership of business enterprises in the country, opening the door to majority holdings by investors abroad, reports AP.

The official decision comes just before Friday's runoffs to April 10 parliamentary elections in which the economy and economic development have been key issues.

The elections are expected to replace anti-Western hardliners with supporters of President Hashemi Rafsanjani, a so-called pragmatist who seeks improved relations with the West to attract investment, a move opposed by his hard-line opponents.

Tehran newspapers noted Thursday that the Supreme Council for investment decided to drop the investment limits, which had restricted foreigners to 49 per cent ownership in Iranian ventures.

The Farsi-language daily Abrar said Tuesday's decision was designed to attract funds from the World Bank and the International Monetary Funds for several projects.

It said the institutions had advised Iran to abolish limitations on foreign ownership.

Abrar said Iran was seeking investment from the international institutions in the fields of gas, energy, agriculture, transportation and communication.

The Minister of Economy and Finance, Mohsen Nourbakhsh, and Mohammad Adeli, Governor General of the central Bank, returned this week from Washington, where they attended the spring session of the World Bank and IMF.

There has been more than a decade of strict regulation following the 1979 Islamic revolution that has reduced foreign investment in Iran to little more than a trickle. Removing the limitations indicates the immense pressure on Rafsanjani's government to improve economic conditions for Iran's 58 million people.

At a round-table discussion in Tehran earlier this week, Dr Rahim Rahimzadeh Oskoi, a lecturer at the Industrial Management Organization in the capital, revealed that "32 million people are living under the poverty line in Iran."

He called that "appalling."

Abrar, which has radical leanings, was quick to point out that the decision to scrap limitations on investment contravened the constitution, which empowers the parliament to review foreign investments and bans outright ownership of ventures by foreigners.

There was no indication in the newspaper report that the move by the High Council for Investment had to be approved by the new parliament, which is expected to be seated later this month.

Business briefs

Dollar rises against yen: The US dollar rose against the Japanese yen in Friday morning trading in Tokyo, while trading on the Tokyo Stock Exchange was active despite slips in the market's key index, AP reports from Tokyo.

At late morning, the dollar was trading at 132.38 yen, up 0.20 yen from Thursday's close. It opened at 132.32 yen after finishing overnight in New York at 132.85 yen.

G-7 meet on boosting capitalism : Economy ministers from the G-7 countries were set to meet in Muenster (Germany) Friday with seven Eastern European states and western businessmen in an effort to spur grassroots capitalism in the former communist world, AFP reports from Muenster.

The two-day meeting, according to host Juergen Moelleman of Germany, is aimed at "crafting joint leadership of economic policy and practice" between the wealthiest industrial states and the ex-communist beneficiaries of aid.

World sugar output estimate lowered

LONDON, May 8: The International Sugar Organization on Thursday cut its estimate of global production this season and said that deteriorating crop prospects were behind the recent rise in prices, reports AP.

The inter-governmental agency now puts world output in the 1991-92 (October-September) season at 112.2 million metric tons, compared with 112.8 million forecast in March and last season's record 113.14 million.

Nawaz Sharif's manifold economic reforms seen to be paying off

From Absar Hussain Rizvi in Karachi

The fundamental economic reforms introduced by Pakistan Prime Minister Mohammad Nawaz Sharif, soon after coming into power, have started paying off in the form of increased exports of the country, higher production and increasing quantum of foreign investment in different sectors of its economy. The full impact of these reforms will naturally be visible after sometime, as some of the projects to be established will be of long-gestation period.

The reforms comprise a comprehensive package including elimination of foreign exchange restrictions, liberal facilities for repatriation of foreign capital, cutting to the minimum bureaucratic and procedural hindrances, privatisation of nationalised industries, tax holidays, greater availability of raw materials for local industries, change in the tariff structure, and a balanced trade policy.

The impact of the reforms is quite telling in the country's exports, where a non-traditional item like apparel exports fetched it US $ 500 million in six-month period July-December, 1991, almost 13 times up from the last corresponding period. As the new quota year began in January last, Pakistan is now targeting 25 per cent increase for the full year.

The export of carpets which had plunged due to fresh entrants in the world market, has also taken an upturn. The upward trend continued during the first months of the current fiscal year when carpets fetched Rs. 2,590 (Rs. 25 equivalent to US $ 1) million as against Rs.2.110 million during the first six months of 1989-90.

In 1990-91, Pakistan's exports to EEC, its major trading partner, increased by 21.5 per cent amounting to US $ 1.52 million. Thus, the trade deficit with the EEC got transformed into a small surplus. The business community feels that despite the new arrangements in EEC, Pakistan has great potential to further increase its exports.

In 1970s, the then government had nationalised all major industries, crippling the private sector. The measure was very harsh. The industries were nationalised without any compensation and hardly any worthwhile section was left to them for investment, even if they had the money. The foreign capital also got soared. The industries taken over were handed down to the bureaucrats to run. They had no idea how to operate a business. The result: the industries suffered heavy losses over almost two decades and there was complete stagnation.

Prime Minister Nawaz Sharif's government decided to denationalise these industries and sell them to private sector on reasonable terms. '

Two out of five commercial banks have been privatised. Negotiations for others are under-way. So far, 45 out of 100 industrial undertakings have been sold to private sector, while negotiations for the sale of another ten units are in advance stages. Some of the larger industries and more profitable might be disinvested through the stock exchange.

For the first time in the history of Pakistan and may be of any country, a bank has been sold to the employees of the same bank. In other units also, shares have been offered to the employees.

The domestic investment has expanded manifold in a period of less than one year. An idea of this could be had from the fact that 15 parties applied for opening the commercial banks. Four of new banks have already started operations.

Following the new petroleum policy, over a dozen new oil exploring foreign companies have got engaged in negotiations. Some have successfully concluded agreements, bringing in investment and know-how.

The leading Islamic banking and investment holding company, Darul Ma'al Al Islami, based at Geneva, has opened an investment bank and already committed to invest around three billion US dollars, part of which has already been made available.

Leading investors of Japan have come in a big way in different fields including telecommunications, power and automobile. The investors from the United States, UK, France, Italy, Belgium, Gulf states and a number of other countries are concluding deals worth billions of dollars.

The leading South Korean group, Daewoo, have invested in building Pakistan's first toll motorway costing around US $ one billion, as well as in the telecommunication network expansion.

The People's Republic of China has invested in building a nuclear reactor for generating 300 megawatt of power, a gigantic project which when completed would give Pakistan second nuclear power plant and reduce its energy shortage to a great extent. China has also agreed to invest in the exploitation of the copper mines in Baluchistan province, which has huge deposits of copper.

Some other foreign investors have shown interest in the ship-building industry, fertilizers, and heavy industry.

At an international conference held recently in Islamabad, participants endorsed Pakistan's economic policy of free economy and were of the view that Pakistan now had ideal climate for foreign investment. To quote Lee Kuan Yew, former Prime Minister of Singapore, as a result of reforms introduced by Prime Minister Nawaz Sharif, Pakistan has become a 'very attractive' place for foreign investment.

The Deputy Secretary General of Commonwealth, Peter Unwin endorsed the economic policies of Pakistan particularly the privatisation found "strong political will to implement them."

The Economic Cooperation Organisation (ECO) comprising Iran, Pakistan and Turkey, took an important step in its recent summit meeting at Tehran when at the behest of Pakistan it adopted a preferential tariff regime among member countries. This would give a great boost to trade between the member states.

Pakistan has also embarked upon establishing economic cooperation with the newly-independent Republics of Central Asia.

Thus, within a short period Pakistan's economy has been rejuvenated and is poised to strike forward poignantly.

(The author is the Editor of independent wire service Pakistan Press International.)