

### Asian coop can ensure economic success

**JOHOR BAHRU (Malaysia), June 15:** Asian nations must forge links to ensure their economic success continues and to guard against emerging trade blocs, Malaysia's Finance Minister Anwar Ibrahim said today, reports Reuter.

"We cannot act alone in a world which is increasingly being dragged into blocs and groupings," Anwar told an economic seminar.

"Continued prosperity of the region requires a new pattern of economic relationship and linkages," he added.

"The situation of East Asia being at the periphery of the global economic and political system while industrial economies occupy the dominant position is no longer tenable."

East Asia is the world's biggest market and will be the largest economic region by the year 2000, with a combined Gross Domestic Product of US dollar 15,000 billion, he said.

But as East Asia has emerged as an economic power, trade blocs and protectionist tendencies have grown in industrialised nations, he said.

Anwar said that as rich nations withdrew behind protectionist walls, East Asian nations must secure their interests by forming partnerships with their immediate neighbours.

The more compelling reason for intra-regional, multi-lateral trade and investment is that it makes good economic sense," he said.

The six members of the Association of South East Asian Nations (ASEAN) agreed last January to set up a regional free trade area by the year 2008.

"ASEAN's move to dismantle trade barriers is proof of our commitment towards making East Asia a centre unto itself," Anwar said.

ASEAN groups — Brunei, Indonesia, Malaysia, The Philippines, Singapore and Thailand.

**Filipino shares may surge to all-time high**

**MANILA, June 15:** Manila share prices, which have climbed steadily to all-time highs since elections on May 11, will surge to new records this week with the expected proclamation of a new president, brokers said, reports Reuter.

Renewed investor confidence in the Philippines had buoyed the market and driven the Manila Stock Exchange Composite Index 28 per cent higher to 1,580.95 points on Friday from 1,235.0 on May 8, the last trading day before the election.

Anscor Hagedorn securities forecasts in its weekly analysis the market could still rise by 10 per cent to hit 1,750 points before any major downward correction.

"Giddy as the recent ascents have been, we reckon that the market can still go up in the coming week," said Anscor one of the country's biggest brokers.

The expected proclamation by Congress this week of former armed forces chief Fidel Ramos as the next president could drive the Manila index past 1,650 points, the weekly report said.

Ramos has emerged the winner of last month's election based on an unofficial count by an accredited private poll body.

President Corason Aquino steps down on June 30 after six stormy years in office.

**'Taiwan, HK not qualified to attend APEC meet'**

**BEIJING, June 15:** China would oppose Taiwan and Hong Kong joining regular summit meetings of the Asia and Pacific Economic Cooperation (APEC) forum, Foreign Minister Qian Qichen said Sunday, reports AFP.

Taiwan and Hong Kong are not qualified to attend the meetings as they are not sovereign states, Qian was quoted as saying before leaving here Sunday for a trip to New Zealand and Australia.

Australian Prime Minister Paul Keating proposed April 7 that APEC be upgraded to include regional summits every two to three years of heads of government.

Qian said Beijing was considering the proposal, the official Xinhua news agency reported.

"China attaches importance to and takes active part in the APEC," he said.

Hong Kong, a British Colony, and Taiwan, rich but diplomatically isolated, were admitted to APEC at an annual meeting last November in Seoul, but only at ministerial level.

## Timid Asian investors stumble in US

**SAN FRANCISCO, June 15:** Asian investors hoping for big profits after acquiring US companies more often stumble along because of their timid approach to the merger process, according to a survey of 110 Asian-American ventures, writes AFP.

Fewer than five per cent of the Asian companies surveyed reported success in achieving all their objectives after acquiring a US company, said Mark Feldman, Managing Director of the Rubicon Group, an international consulting firm based in Orinda, California. In comparison, 20 per cent of US companies reported success in their mergers or acquisitions in the US market, according to the Rubicon report.

"It's contributed to a very dramatic slowdown in investment in the United States," said Feldman, who oversaw the report that examined 110 Asian acquisitions between 1986 and 1991.

"Asian investors have become very, very cautious, even

reticent about doing deals here," he said.

The report, completed at the end of April, is being widely circulated. It was the major topic of discussion during an Asian-Pacific Investment seminar last week sponsored by the University of San Francisco's Center for the Pacific Rim.

Not one Asian company was able to lower operating expenses or distribution costs, according to the report. Almost two-thirds of the companies Rubicon examined reported unfavourable profit returns, and the percentage did not decline, even five years after the acquisition.

Feldman, who is going to South Korea this week to conduct a seminar for investors concerned about entering the US market, said one major problem was that many Asian investors, particularly the Japanese, are slow in making changes after acquiring a company.

"Companies that get past the transition quickly did far

better," Feldman said. Unfortunately, a lot of the Japanese companies tend to take their time after a deal and get a feel for the ground. US employees feel there are no leaders."

Most employees at these acquired US companies are hoping the fresh flow of capital will improve things, and they are expecting change, Feldman said.

"Americans are a very important people and have a low tolerance for uncertainty," he said.

Asian companies also do a poor job of communicating changes or a new direction to both employees and the company's customers, who may change suppliers if they feel the new owners are uncertain about the future.

"When there is no communication, people want to fill in the gaps," Feldman said. "And that's how rumors get started."

Surprisingly, Taiwan, Hong Kong, and even China have fared better in acquiring US companies than the industrial

giant of Japan, Feldman said.

John T Sakai, Director of AZCA Inc, a company in Silicon Valley that specializes in bringing together Japanese and US investors, said the size of individual Japanese investments in the United States has shrunk considerably over the past few years, from 99 million dollar in 1988 to 24 million dollar at the end of last year.

"The big deals are gone," he said. "What is still around are the modest acquisitions that make good sense."

Japanese investment in the United States plummeted to 700 million dollar for the first five months of this year, compared with the 2.5 billion dollar invested during the same period last year, according to the Japan M and A Reporter.

But Sakai said the long-term forecast for Japanese investment in the United States was good.

"This process is irreversible," Sakai said. "There is too much interdependence between Japan and the United States."

### Bankruptcies may hit record high in Japan

**TOKYO, June 15:** Personal bankruptcies in Japan could hit a record high of nearly 40,000 in 1992, mainly due to overuse of credit cards, the Supreme Court said on Saturday, reports Reuter.

Kyodo news agency quoted a court report as saying 9,025 Japanese filed for personal bankruptcy from January to March this year, 2.5 times more than in the same period of 1991.

If the trend continues, personal bankruptcy filings for the year are expected to reach nearly 40,000 breaking the previous record of "about 24,000 set in 1984, court officials were quoted as saying.

In 1984, personal bankruptcy cases increased sharply because a large number of people became unable to repay money they had borrowed from consumer credit business, the officials said.

## US auto union leader threatens strike

**SAN DIEGO, June 15:** United Auto Workers President Owen Bieber threatened the US Big Three automakers Sunday with a strike next year to fight what he says are attempts to break down the union, reports AP.

"Do not forget it takes two to make peace, but only one to make war," Bieber said in his speech opening the union's 30th Constitutional Convention, which ends Friday. "Be very careful. Do not miscalculate."

Bieber referred to the massive downsizing by General Motors Corp and its apparent efforts to play one plant off against another to squeeze work rule concessions, a practice known as "whipsawing." The No one automaker is cutting 54,000 hourly jobs and closing 21 plants by 1995.

While GM denies that it played plants against each other, it has said that the willingness of individual plants to consider work-rule changes figured in decisions to determine which operations it should close.

Bieber also made apparent references to Ford Motor Co and Chrysler Corp, whose post-recession sales are recovering faster than GM's.

"Do not forget that in the consumer-driven retail competitive markets in which you sell your products, you are especially vulnerable to lost production and to lost sales."

he said. UAW contracts with GM, Ford and Chrysler, where 400,000 of the union's approximately 814,000 members are employed, expire in September 1993.

GM recently said it will no longer favour its in-house suppliers — 80,000 UAW members — and instead seek the best price and quality for car and truck components.

He compared the present state of the UAW, which has lost nearly 700,000 members since 1979, to anti-union conditions that led to its founding in 1937.

The current climate was evident when the UAW called off its five-month strike at Caterpillar Inc in April after the heavy equipment maker threatened to permanently replace 12,000 striking workers, Bieber said.

However, he said the UAW merely changed its tactics against Caterpillar, deciding to slow production inside plants by following the contract to the letter. Bieber also called on the 2,330 delegates to picket Caterpillar's two San Diego dealerships on Thursday.

The 62-year-old Bieber is expected to be easily re-elected his fourth three-year term on Wednesday despite light but vocal opposition from the dissident New Directions movement.

## Development planning in the ESCAP region

At a time when there has been a total breakdown of central planning in the erstwhile country where it originated and which might have inspired others to plan, and when privatization and market orientation are in strong favour, curiosity may arise as to what could be happening to development planning in the ESCAP region. As a matter of fact, planning, which was introduced in some countries in the 1950s and in most countries in the 1960s, continues throughout the region. None of the current plans has been abandoned and new ones have been initiated or lunched (Malaysia's sixth and Thailand's seventh, for example). It should be noted that planning in the region (other than in a few countries which adopted the Soviet model) has not been a substitute for the market economy. Rather, planning has been undertaken in explicit recognition of the basic weaknesses of poorer economies (insufficient resources, entrepreneurship, infrastructure, and market imperfection and fluctuations which could generate insufficient resources and discourage entrepreneurship).

Planning started as an attempt to coordinate centrally economic decision-making over the long run in terms of giving directions to individual agents with a view to accelerating a country's development. This process involved choosing social objectives, setting various targets, disseminating information, and organizing a framework for the implementation, coordination and monitoring of the plan. It has thus involved conscious efforts by a central organization in a country to influence, direct, and even control changes in the principal macroeconomic variables such as GDP, consumption, and investment and savings, over a certain time-frame and in accordance with a predetermined set of objectives. It may be mentioned that such planning was also encouraged, even forced upon countries, by aid donors, at least initially.

Within this framework and perspective, countries in the region have resorted to planning their economic and social development through the instruments of annual management plans, five-year medium-term plans and long-term strategic plans, with varying degrees of achievement. Success apparently has depended on the capacity of the planners to respond with flexibility over time to changes in circumstances and on the ability to enforce the discipline envisaged by the plans. Certain cases, such as those of Singapore and the Republic of Korea, and even Japan stand

out as examples of planning with flexibility. Japan's post-war economy and industrial structure have been planned and projected forward through the instrumentality of a series of annual white papers, and policies have been geared towards the objectives laid down in them. The recent successful relocation of a large segment of Japanese industries overseas could be credited to a considerable extent to the Japanese planners' vision of Japan's industrial structure in the 1970s and 1980s as they saw it in the 1960s. A long-term strategic plan has always guided an annual management plan in Japan.

In the developing ESCAP countries, sensible and flexible economic planning still has a vital role to play. The success of past plans may be found to have been proportionate to the degree of flexibility in planning and the ability to adapt to changes. In fact, it is extreme rigidity and the inability to change that have been the undoing of central planning. The value of planning lies, for example, in economic forecasting which is a major component of planning. It may not always be accurate, but since forecasts will always be made it is better to have ones which are consistently analysed and quantified than those which are not. Moreover, even after privatization, the public sector will still

play a major role in many developing economies. As long as there is an important public sector and a government concerned about equity, there will be a role for economic planning. Where the private sector is weak, and unwilling to invest or unable to manage vital public utilities, and where social investment in education and health must remain in the domain of government, economic planning will remain imperative. More of these matters are now increasingly appealing to the imagination of planners since the region has generally lagged more in social development than in economic achievements.

However, if planning is to play a significant role in the 1990s, it has to be more flexible, especially in a rapidly changing global environment. Planning may have to be based upon rolling public investment plans. The advent of the computer has enhanced the ability of planners to make the necessary changes and adjustments within hours rather than weeks. Forecasting will also have to be improved so that the needs of various sectors may be anticipated more accurately. Close collaboration among planners, researchers and statistical analysts which planning, to its credit, has encouraged in the past, will need to be strengthened.

## IDA's capital expected to be tripled

**CAIRO, June 15:** Finance and economy ministers of Muslim countries will meet in Jeddah, Saudi Arabia, on July 4 to increase the capital of the Islamic Development Bank, according to reports received here Monday, according to Xinhua.

The projected increase is yet to be specified, but bank sources were quoted as saying that they expected the bank's capital would be tripled, from 2 billion US dollar to 6 billion.

An announcement issued by the bank's headquarters in Jeddah said that observers from the Islamic republics in the former Soviet Union will attend the meeting.

The Islamic Development Bank was set up in 1975 to promote development in the 46 member states of the Organization of Islamic Conference and to aid Muslim communities in non-member states.

It has provided member states with a total of 11 billion dollar in interest-free loans, foreign trade financing, technical assistance and non-refundable grants.

## India's capital expected to be tripled

**NEW DELHI, June 15:** India's foreign exchange reserves have started plunging once again since the beginning of the current financial year in April, after steadily going up from August 1991, a newspaper reported Monday, according to AFP.

The reserves were down to 5.3 billion dollar at the end of May, from 5.6 billion at the end of March, the last month in fiscal 1991-92, and some 5.4 billion a month later, the Hindu said.

It quoted Finance Ministry sources as saying that higher imports, after an import squeeze the whole of last financial year, were mainly responsible for the fall in foreign exchange holdings.

The reserves had also swelled previously because New Delhi received gross external aid totalling 4.2 billion dollar in 1991-92, which was nearly 65 per cent more than the previous year.

The reserves began building up in August after dropping to 1.1 billion dollar. They went up to 1.7 billion dollar in September.

## US consumer spending restraint continues

**WASHINGTON, June 15:** US consumers continue to be cautious when it comes to spending, dashing hopes for an economic surge from retailers restocking bare shelves, reports Reuter.

"A big snapback in production to replenish inventories doesn't appear in the cards soon," said economist Allen Sinai of Boston Co.

Consumers demonstrated their wariness again in May by barely boosting retail sales by 0.2 per cent after a scant 0.4 per cent gain in April, according to a Commerce Department retail sales survey. It measures about 44 per cent of total consumer spending.

"If consumption, which is two-thirds of final demand, does not show up strongly, then the economy cannot really comeback sharply," Sinai said. "Further, there is no reason for a lot of production for inventories if final demands are not strong."

No other national economy is so consumer-driven. Unless Americans continually raise

spending, the crunch is felt at retail stores and wholesale dealers, and back through the factory gate as a dwindling stream of orders and production schedules.

Not only were retail sales losing steam in the second quarter, but the Federal Reserve Board, the head of the central bank, reported a drive to pay off debts gathered momentum in April. The total of outstanding instalment credit fell by dollar 3.8 billion, a third straight month in which more debts were paid off than new ones were taken out.

A report from the Commerce Department on Friday showed business inventories in April crept up by 0.1 per cent while sales fell 0.2 per cent. But it showed inventories piling up again at retail stores, rising 1.1 per cent in April in company with the pattern of consumer spending restraint.

Yardeni, an economist with C J Lawrence Inc in New York, said Gross Domestic Product was likely to expand only at a two per cent annual rate in the

second quarter.

A survey in May by the national federation of independent business of 800 member firms found inventories at the leanest levels in 19 years.

That should mean big production gains in a more normal, faster-paced recovery than this one. But jobs and income growth are too subdued to spur vigorous consumer demand.

Delta Air Lines, which had said the recent domestic fare war cut prices too steeply, is dropping prices Tuesday on summer tickets to Europe by up to 45 per cent, reports AP.

The lower fares, announced Monday evening, came before the nation's airlines had time to catch their breath after the domestic sale ended Friday.

The trans-Atlantic fare sale, while not as sweeping as the just-ended promotion, will allow Delta's highest-paying customers, business travelers who fly on little notice, to save money.

## India's foreign reserves plunge once again

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## Present use rate may result import Tea output in India likely to fall by 12m Kg

**NEW DELHI, June 15:** India's tea production is expected to fall by 12 million kilograms (26.4 million pounds) this year due to drought and amid signs of a decrease in global output, Press Trust of India (PTI) said Sunday, reports AFP.

Tea production is estimated at about 730 million kilos (1.61 billion pounds) for 1992, down from a 742 million kilo (1.63 billion pound) bumper crop in 1991, and could result in increased domestic prices, industry sources in Calcutta were quoted as saying.

India's production from January to April fell 19 million kilos (41.8 million pounds) from 117 million kilos (257 million pounds) in the same period for 1991 because of drought conditions in tea-growing areas, PTI said.

South India tea gardens were badly hit by the weather, and low production there is cited as the chief reason for the overall decline.

With other major tea producers also reporting produc-

## Tokyo share market down, \$ unchanged

**TOKYO, June 15:** Share prices on the Tokyo Stock Exchange fell in early trading Monday amid continued pessimism about Japan's economy, while the dollar opened unchanged against the yen, reports AP.

The 225-issue Nikkei Stock Average fell 233.14 points, or 1.34 per cent, in the first 30 minutes of trading to stand at 17,150.54. The average lost 325.37 points, or 1.84 per cent, on Friday.

The Tokyo Stock Price Index of all issues listed on the first section fell 1146 points, or 0.86 per cent, to 1,316.90. The TOPIX dropped 17.18 points or 1.27 percent Friday.

On the foreign exchange, the dollar opened at 126.67 yen, unchanged from Friday's close in Tokyo and slightly above its finish in New York Friday 126.60 yen.

Stock traders said a quarterly central bank survey released Friday showing negative business sentiment continued to discourage investors.

**Dollar down, gold up in London**

**LONDON, JUNE 15:** The US dollar fell against other major currencies Monday in early European trading. Gold prices were higher, reports AP.

In Tokyo, the dollar closed at 126.72 yen, up 0.05 yen from Friday's close. Later in London, the dollar was quoted at a lower rate of 126.50 yen.

Other dollar rates at mid-morning compared with late Friday: —1,5687 German mark down from 1.5720 —1,4115 Swiss franc, down from 1.4225 —5,2845 French franc, down from 1.4225 —1,7705 Dutch guilder, down from 1.7710 —1,188 Italian lire, down from 1,191.50 —1,1915 Canadian dollar, up from 1.1907

In London, the British pound was quoted at 1.8575, up from 1.8550 dollar late Friday.

London's major bullion dealers fixed a recommended gold price of 342.25 dollar per ounce at midmorning, up from 339.75 dollar bid per ounce late Friday.

## Environmental degradation may create food crisis

**ROME, June 15:** Poverty is accelerating environmental degradation to such a degree that natural resources may be unable to yield the food required for a world population expected to reach 8 billion by the year 2025, according to the UN Food and Agriculture Organization (FAO).

"Erosion is outpacing erosion control, the rate of deforestation is far in excess of the area being reforested, and water pollution and food contamination are worsening," FAO Director-General Edouard Saouma declared in a statement. He asked for a frontal attack on the root causes, rather than the symptoms, of environmental degradation.

"The real enemies are poverty and social inequality," Saouma said. "How can hungry people be expected to protect natural resources and the environment, and concern themselves with the well-being of future generations, when their immediate survival is at stake?"

According to FAO calculations, poverty afflicts about one billion people while over 500 million persons, corresponding to about 10 per cent of the world population, are undernourished, and some 50 million of them facing famine.

FAO also points to factors associated with poverty that contribute to environmental degradation, most notably indebtedness of developing nations, inequality in North-South trade and the lack of access to appropriate technology by Third World countries. In addition, FAO says, farmers should still get fair prices for their products even after the added costs for environmental protection.

Noting that certain agricultural practices cause damage to the environment, FAO said it is proposing Sustainable Agriculture and Rural Development (SARD) so that the world population, anticipated to increase from the current 5 billion to 8 billion by 2025, can be fed from the same finite resource base already under strain.

FAO identified the goals of SARD as food security, employment and income in rural areas, and environmental protection.

The Organization said the conservation of natural resources should not be considered just a technical issue — not simply for the sake of conservation — but one that has economic and social dimensions and subject to rational management and use for the benefit of mankind.

"Agriculture's first task is to feed the world's population, today and tomorrow," Saouma said in his statement. "Food must grow in abundance and in good quality, available to all; yet it must also be produced with an eye for the future."

Critical food and agriculture issues at UNCED, outlined at a news conference by P J Mahler, FAO's Assistant Director-General for Environment and Sustainable Development, included:

**Soil, Fertility.** The world is reaching the limits of its horizontal expansion of arable land,

meaning that more food will have to be grown through intensification on land already in use. But soil in some parts of the world, particularly in Africa, is fast losing its fertility because nutrients removed by crops are not being replenished.

This points to lack of fertilizers, rather than excessive use as in some industrialized countries, Mahler said, pointing to FAO's Integrated Plant Nutrient System as a practice that is economically viable and environmentally sound. The System makes use of a variety of plant nutrients, including organic ones without exclusive reliance on mineral fertilizers.

**Pest Control.** According to FAO, pests could be controlled without indiscriminate use of hazardous pesticides through Integrated Pest Management, as shown by its successful application for rice production in Asia. Another successful chemical-free operation involved the application of environment-friendly, high-tech Sterile.

Insect Technique in eradicating the lethal screwworm fly from North Africa in 1991.

**Forestry.** Forests and disappearing at an alarming rate, 17 million hectares a year in the tropics alone damaging genetic resources and intensifying land degradation, wind erosion and desertification. The Tropical Forestry Action Programme (TFAP) was identified as an important means of providing policy advice and planning assistance in combatting forest degradation and promoting sustainable forestry development.

**Biodiversity.** The diversity of crop varieties and animal breeds is essential to the stability and productivity of agriculture; yet it is threatened because of over-exploitation, destruction of habitats, pollution, climate change and mechanization. Mahler said biological diversity should both be conserved and used sustainably, pointing to FAO's Global System on Plant Genetic Resources and actions to safe-

guard animal and aquatic breeds as vital measures against unpredictable future.

**Climate Change.** The process of global warming ("The Greenhouse Effect") could lead to climate change, raising sea levels and affecting agriculture, forestry and fisheries. Arable land could become barren, while land now not suited for production could yield crops. FAO is advocating better preparedness to make agriculture more resilient and less vulnerable to the vagaries of weather and climate.

"Food is the most basic of all human rights," Saouma said. "Not only should it be available to all, but it must also be healthy and nutritious."