

# US investment in Japan up

NEW YORK, June 17: Despite the volleys fired between Washington and Tokyo over whose markets are more closed, American companies appear willing to ignore the rhetoric and aggressively chase Japanese assets, reports Reuters.

"We're seeing a significant amount of interest in Japan on the part of US companies, especially major companies who have realised it may not get a lot easier to get into Japan but they can't afford not to be there," said Jeffrey Garten, Managing Director of Blackstone Group, the New York investment bank.

Clearly, Japanese direct investments in the US dwarf those of US firms in Japan. But Japanese investors have seen the value of their US investments nosedive while US investments in Japan are taking off.

Key factors fuelling the trend include an attitude shift among US firms who now see Japan as a growth opportunity, and a recession-imposed re-

solve among Japanese companies to look beyond Japan for needed capital infusions.

And some investment bankers and Japan specialists point out other factors that are making Japan look more welcome.

Daniel Schwartz, Managing Director of the investment firm Ulmer Brothers Inc, is one of several experts who believe that rising foreign direct investment in Japan is facilitated by a gradual erosion of its legal and structural barriers.

"There was a perception even two or three years ago that Japan was a very inhospitable environment in which to do deals," said Schwartz. That's changed, an increase in domestic mergers and acquisitions also has helped fertilise Japanese oil for foreign investors, he added. But Garten at Blackstone said he sees few signs of legal roadblocks falling in Japan.

"I don't detect a feeling that barriers are coming down, said Garten. "But I do see a maturing of (American) attitudes

People say it's not going to get any easier so I can't wait much longer. They're more willing to stick it out."

Garten said until recently many US firms approached Blackstone with a fatalistic attitude, asking few strategic questions about Japan and then turning elsewhere. But now they tend to come with a more long-term outlook, demanding detailed strategic information about specific industry sectors Japanese competitors and potential partners.

US toymaker Hasbro Inc (Khs. A) maker of familiar lines such as Cabbage Patch Kids and GI Joe and monopoly, had contemplated for a long time how to penetrate further the Japanese market before it agreed last month to buy the toy and game assets of (Nomura) toys, a medium-sized toy company.

"Japan's toy market is one of the biggest in the world. This is an opportunity to at least have a springboard into that market," said Barry

Laperin, Hasbro's Vice-Chairman. He declined to say which company initiated the deal.

Tight capital in Japan caused by deflated stock and land prices had also allowed for new US-Japan alliances.

Steve Banker, a partner at the law firm Skadden, Arps, Slate, Meagher and Fom, said some Japanese firms have been forced to seek capital infusions from US and other firms.

US direct investments in Japan, roughly defined as the purchase of real estate or at least 10 per cent of the equity of a firm located in Japan, doubled in the fiscal year ended March 31 to 1.33 billion dollars, from the previous year, according to the Japanese Ministry of Finance. Yet even with that jump, the 1991-1992 level of investment is less than that in 1989-1990.

Garten at Blackstone predicts US direct investment in Japan will be one of the big investment stories of the decade.

## UK inacts law to stop cheque forgery

LONDON, June 17: A law to help stop cheque fraud came into effect in Britain on Tuesday, reports Reuter.

The cheques act guarantees that when account holders write account payee across the front of a cheque, only the person or organisation to whom the cheque is made out can deposit it, a Treasury statement said.

People whose cheques were stolen in the past and fraudulently endorsed lost two million pounds (3.7 million dollar) last year, according to Derek Harper, Manager of the British Banking Association's fraud harper, Manager of the British Banking Association's fraud intelligence unit.

Cheque fraud was relatively easy in Britain before the new law, because any cheques so long as it was endorsed on the back could be cashed or paid into any account.

Banks often could not check the endorsed signature until it was too late.

## Mexico agrees to help fight drugs

MEXICO CITY, June 17: Mexico has temporarily agreed to continue cooperating with the United States in the war against drugs while both countries negotiate new ground rules, reports AP.

President Carlos Salinas de Gortari's administration had suspended cooperation Monday night to protest a US Supreme Court decision allowing suspects abducted abroad to be brought to the United States for trial.

Mexico immediately revoked permission for Drug Enforcement Administration agents to operate in this country, and announced that Mexican agents in the United States would stop their work. This, in effect, froze all cooperation.

But Mexico changed its posture Tuesday after the Bush administration assured it that Washington did not plan to implement the Supreme Court decision. Washington also agreed to open talks on the is-

sue with Mexican officials. A Foreign Affairs Department statement said Mexico "temporarily" agreed to continue cooperating "in order not to allow this period of negotiations to interrupt the intensive programmes of cooperation in the fight against narcotics."

The Supreme Court's 6-3 decision in Washington and Mexico's response Monday cast a pall on relations between the two countries, which had reached an exceptionally warm level.

In Washington, Secretary of State James A Baker III said Tuesday that he was confident cooperation with Mexico on fighting drugs would continue.

"Before this announcement by the US Supreme Court, the relations between Mexico and the US in the war on drugs had never been better," said Rep Charles Rangel, chairman of the House Select Committee on Narcotics Abuse and Control.

## BRIEFS

### Yugoslavia expelled from Expo '92

SEVILLE (Spain), June 17: The Spanish government expelled Yugoslavia from Seville's Expo '92 on Tuesday in response to a United Nations embargo, reports Reuter.

In a parallel move, the 21-member College of Commissioners at Expo '92 agreed to support Spain's decision that UN sanctions against the states of Serbia and Montenegro — the only republics remaining in Yugoslavia — should apply to Yugoslavia's Expo pavilion.

It is the first time a country has been asked to leave an international exposition.

### Malayan banks in world top 500

KUALA LUMPUR, June 17: Malaysia's two biggest banks have been ranked higher among the world's top 500 banks for last year, while Singapore's number one bank was ranked number one for the entire Association of Southeast Asian Nations (ASEAN) region, in a survey, reports AFP.

The latest 'euromoney 500' survey raised Malaysia top bank, Malayan Banking BHD to 230th spot last year, from 302nd in 1990. Malayan Banking's shareholders' funds were estimated at 1.04 billion US dollar.

### US trade deficit falls by \$5.3b

WASHINGTON, June 17: The US trade deficit fell to 5.3 billion dollars in the first quarter, the Commerce Department said Tuesday, reports AFP.

The department said that in the first three months of the year the deficit in the US current account was down 26.5 per cent from the 7.22 billion dollar deficit posted in the fourth quarter of 1991.

It was the best showing in trade since surpluses in the first and second quarters of last year as a result of payments for US participation in desert storm.

The current account measures trade in merchandise, goods and services between the United States and other nations.

### US intends to control inflation

WASHINGTON, June 17: Federal Reserve Chairman Alan Greenspan said here Tuesday that the US Central bank 'fully intends to guard against re-igniting inflation,' reports AFP.

Greenspan also told a congressional subcommittee that the US economy had made considerable progress towards price stability over the past decade and appeared 'poised to make further advances.'

The central bank Chairman said however that the commitment to keep inflation in check 'might be easier for us to effect or the public to monitor should the treasury issue indexed debt.'

### Tokyo stock down, dollar gains

TOKYO, June 17: Share prices on the Tokyo Stock exchange continued to fall in Wednesday morning trading, while the US dollar fell against the Japanese yen, reports AP.

The 225-stock Nikkei Stock Average lost 214.27 points, or 1.42 per cent, to end the morning session at 16,712.26 points. On Tuesday, the average gained 0.30 points to close at 16,953.53.

In the previous four trading days, the Nikkei had fallen a total of 891.81 points, including a 430.45-point plunge on Monday that pushed the average below 17,000 points for the first time since April 22.

### No decision yet on Delors reappointment

LONDON, June 17: British Prime Minister John Major said, his government had not yet decided whether to back Jacques Delors for reappointment as President of the EC Commission, reports Reuter.

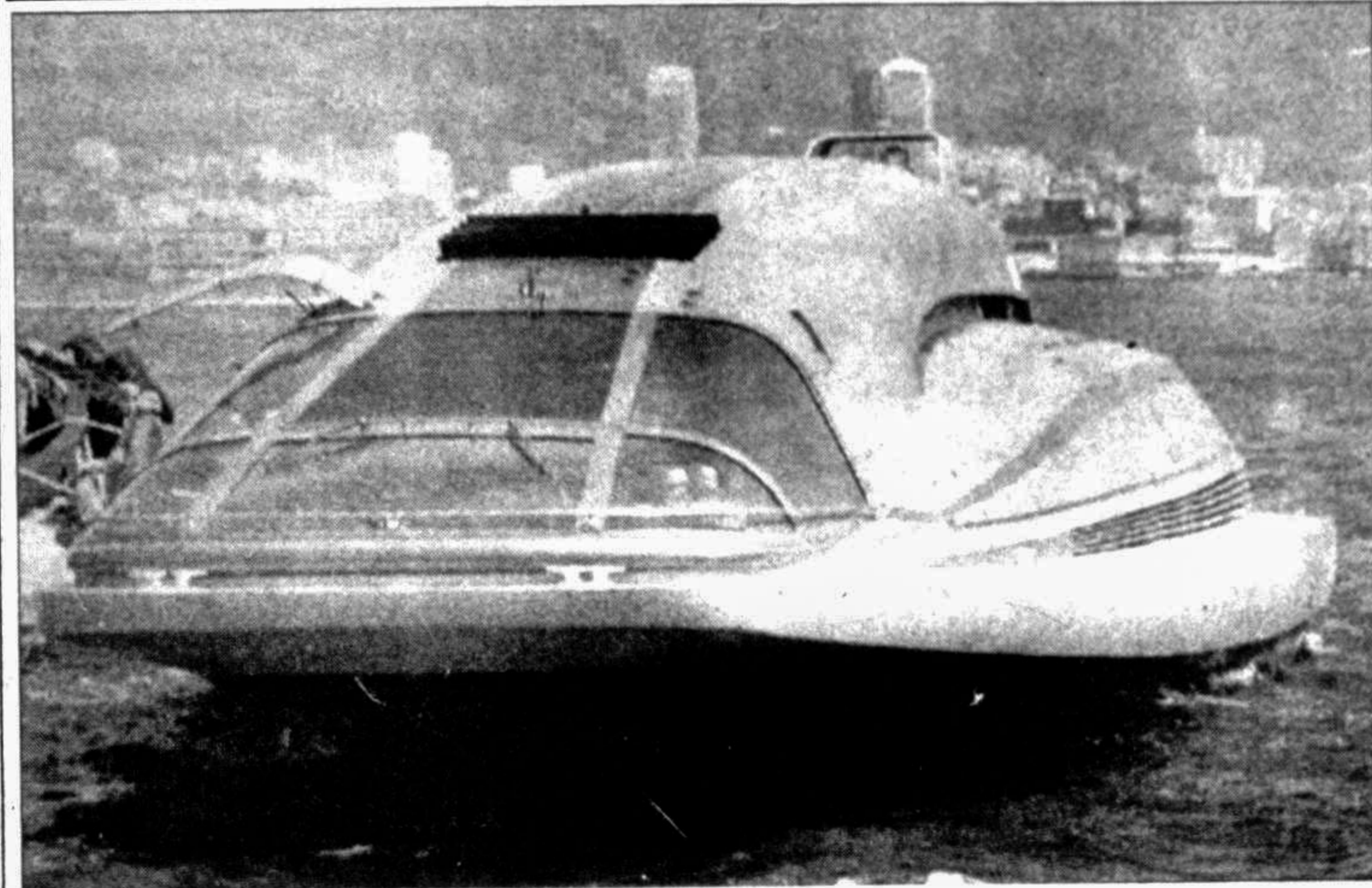
"No firm decision, no cabinet decision on the reappointment of Delors have been made," he said in parliament.

Major was replying to a spokesman for the opposition Labour Party who said Foreign Secretary Douglas Hurd had indicated in private that the government supported Delors reappointment.

### Burma, US firms sign oil exploration deal

BANGKOK, June 17: Burma's military government Tuesday signed oil and natural gas exploration and production contracts with two American companies, the state-run radio Rangoon said, reports AFP.

The government's petrochemical industrial enterprise signed the joint venture agreements in Rangoon with Tyndall International (Bermuda) Ltd, and Apache Oil Ltd, the radio said in a report monitored here.



KOBE (Japan): "Yamato 1," the world's first ship to be powered by a superconducting magnet, was unveiled at the Mitsubishi Heavy Industries Ltd shipyard in Kobe on June 16. Researchers cut short the inaugural sea trial of the electromagnetic ship after an emergency warning system prompted a shut down in the superconducting magnets. —AFP photo

## Housing, industrial output mark signs of improvement in US

WASHINGTON, June 17: The government reported Tuesday that US housing starts and industrial production, two driving forces behind a sluggish recovery, accelerated in May. The broadest measure of the nation's foreign trade also improved, reports AP.

The Commerce Department said construction of new single-family homes and apartments rose 11 per cent to a seasonally adjusted annual rate of 1.23 million. It was the sharpest advance since a 19 per cent rise in February 1991.

The Federal Reserve said industrial production rose 0.6 per cent in May, the biggest increase since a 0.7 per cent advance last July.

But analysts cautioned that, despite the gains, the economy still needs job and income growth. They said housing starts and industrial output reflect production activity that

will stop without consumer demand.

"I think the consumer sector is going to have to bounce back a bit stronger," said Daryl Delano of Cahners Economics in Newton, Mass.

Mark Obrinsky, an economist with the Federal National Mortgage Association, said much of the earlier improvement in the housing industry was due to lower mortgage rates.

"But we've gotten about as much as we can get from low rates," he said. "To move to the next stage will require better job and income growth. I think we will see that, but it may be a couple of more months until we do."

All regions of the country participated in the pickup in housing starts, which had plunged 17.3 per cent in April to an annual rate of 1.11 million.

But the revised decline for

April, even steeper than the original 17.0 per cent estimate, was the largest since a 26 per cent drop in March 1984.

Analysts pointed to the third straight drop in applications for building permits, often a signal of future construction activity. They fell 0.7 per cent, to a 1.05 million rate.

"It's clear that builders are proceeding more cautiously now than at the beginning of the year," when housing starts and sales surged, Delano said.

New home sales rose just 1.3 per cent in April, after falling 15.9 per cent in March. At the same time, sales of previously owned homes slipped 0.3 per cent, the first decline in three months.

Construction of single-family homes, which had dropped 10.9 per cent in April, regained most of the loss with a 9.8 per cent increase in May.

to an annual rate of 1.05 million.

The volatile apartment sector posted a 18.6 per cent advance, to a 185,000 rate. It had plummeted 42.6 per cent in April after soaring 83.8 per cent a month earlier.

The improvement in industrial production came after a 0.4 per cent rise in April and gains of 0.5 per cent in February and March. Last month, the index stood at 108.8 per cent of its 1987 base, up from 108.1 per cent in April.

But Gordon Richards, an economist with the National Association of Manufacturers, questioned whether the industrial sector could count on US consumers for growth or whether it would have to look more to foreign markets.

Overseas activity did contribute to the improvement in the "current account" trade deficit, the broadest calculation of US dealings with other nations.

## Tank takes on vodka

KABUL, June 17: Mujahedeen fighters ran a battle tank over 4,000 bottles of seized Russian vodka in Kabul in a stern warning against the consumption of liquor in Afghanistan, officials said Tuesday, reports AFP.

A T-72 tank ploughed through the small mountain of liquor bottles that Monday as Mujahedeen troops forced storekeepers who had stocked it to watch the destruction, the Information Ministry officials said.

The tank, manned by pro-government Shiite fighters, roared round in circles, crushing every bottle to set an example to the hundreds of grim-faced onlookers near a downtown Kabul cinema.

These are the last of the bottles being destroyed...we will search for more and punish those selling alcohol, TV said after the Mujahedeen had set fire to pools of vodka left after the tank had done its job.

The interim Islamic government which ousted a Soviet imposed regime in Kabul has destroyed an estimated 100,000 bottles of liquor in the city since coming to power April 28.

It has also made bonfires of communist and Russian literature, ordered Afghan women to go veiled.

## OPEC can confront EC's carbon tax plan

ABU DHABI, June 17: The Organisation of Petroleum Exporting Countries has the means to respond to European Community attempts to impose taxes on oil consumption, OPEC Secretary General Subroto of Indonesia was quoted Tuesday as saying, reports AFP.

He told the United Arab Emirates (UAE) newspaper Al-Itihad the proposed tax, dubbed the Carbon Tax, had no scientific basis because oil was less polluting than over energy sources.

OPEC states have scientific and realistic plans to confront any attempt by the European states and other countries that have supported the imposition of the Carbon Tax, he said.

"In OPEC, we have several researchers and scientists who are working out plans to respond to the attempts of those states."

## Congress, IMF sling mud on Bush's carpet for Yeltsin

WASHINGTON, June 17: The Bush administration did what it could Tuesday to roll out the economic welcome mat for President Boris Yeltsin as the Russian government signed deals with American businesses covering oil drilling equipment to town houses, reports AP.

However, the prize Yeltsin covets the most — approval for the bulk of funds to start flowing from a \$24 billion Western aid package — is tied up by a balky Congress and the International Monetary Fund.

But even if Yeltsin leaves town without IMF approval for his reform efforts, he will take several consolation prizes in the form of various economic agreements.

The administration and Russian officials said roadblocks had been removed to allow the signing of an investment agreement and a tax agreement during the summit.

Commerce Secretary Barbara Franklin said the administration was "bullish on Russia — cautious and realistic, but bullish nonetheless."

She said economic agreements reached during Yeltsin's

visit would be followed in the months and years to come with a flood of deals ultimately making the United States the biggest trading partner Russia has.

"And let me make clear, helping Russia also helps America by creating jobs at home and opening new markets abroad," she said during a signing ceremony at the Commerce Department.

Among the business deals, signed Tuesday were five joint-venture proposals to boost US involvement in the Russian economy. The deals included four in the oil sector, one by an American construction firm to build townhouses in Moscow and another to manufacture milk-chilling equipment.

The administration scheduled an unprecedented series of high-level meetings of Russian economic and business officials with 200 to 300 American corporate executives. The goal was promoting US investment in Russia.

Franklin and Russian Foreign Economic Relations Minister Peter Aven presided Friday at the first-ever session of the Russian-American Business Council, a group of 40 high-level economic policy-makers representing the administra-

tion and Yeltsin's government. Their task was to identify, with the help of American business executives, the worst barriers to foreign investment and seek to clear away the government red tape.

However, Bush will not be able to present his Russian guest with the US portion of a \$24 billion Western aid package.

While the Bush administration had hoped to win congressional approval in time for Yeltsin's visit, the measure has yet to clear either the House or Senate in a year when legislators are particularly sensitive to anti-foreign aid sentiment among voters.

But Bush said "it is in our interest that we not miss this opportunity to help Russia be democratic and help them be free. And we spent trillions of dollars in confrontation. And now we have an opportunity by giving them some help to guarantee democracy and freedom."

And even if Congress granted approval, Russia still would not be able to receive the bulk of the \$24 billion because it is contingent on receiving the IMF's blessings for its economic reforms. Russian officials insist they

hope to reach agreement with the IMF in the next two weeks, but IMF officials said Monday that both sides still remain apart on several key points.

IMF Managing Director Michel Camdessus defended his agency Monday against charges that it was trying to force Russia to swallow bitter economic reforms that could prove destabilizing for a country still in the early stages of democracy.

"We couldn't support a programme that was less than adequate," Camdessus said, adding that it would be dangerous for Russia to backslide and "allow the reform process to lose momentum."

However, Jeffrey Sachs, a Harvard University economist who is advising the Russian government, complained that the IMF was dragging its feet with niggling questions over technical matters a time when the \$24 billion is urgently needed to halt a precipitous slide it the Russian economy.

"Every week that goes by without the aid puts this process (of economic reform) at serious risk," Sachs said.

Among the economic agreements expected to be signed this week: — A trade agreement that will award Russia most-favoured-nation status, making its products eligible for the lowest US tariffs granted to any nation. At present Russian products sold in the United States bear duties that are as much as 10 times higher than imports from other countries. The way was cleared for this agreement when the Russian Parliament on Friday ratified a trade pact signed by Bush and former Soviet president Mikhail Gorbachev last year.

An agreement that would limit Russian taxes on subsidiaries of US companies doing business in Russia and allow those businesses to take write-offs on their US corporate taxes based on the amount of Russian taxes they pay.

Several new agreements establishing joint ventures between American companies and enterprises in Russia. At the end of last year, US companies had 300 joint venture agreements, more than any other nation. Because of Russian red tape, few of them are actually operating at present.

## Traders continue strike at Bombay Stock Scam jitters balk trading

NEW DELHI, June 17: Trading on the Bombay Stock Exchange (BSE) was suspended by a traders boycott for the second straight day Tuesday due to spreading fears over the fallout from India billion dollar bond scam, reports AP.

The Press Trust of India said the BSE, India's largest and most influential market, was officially open but that brokers "refrained from doing any business."

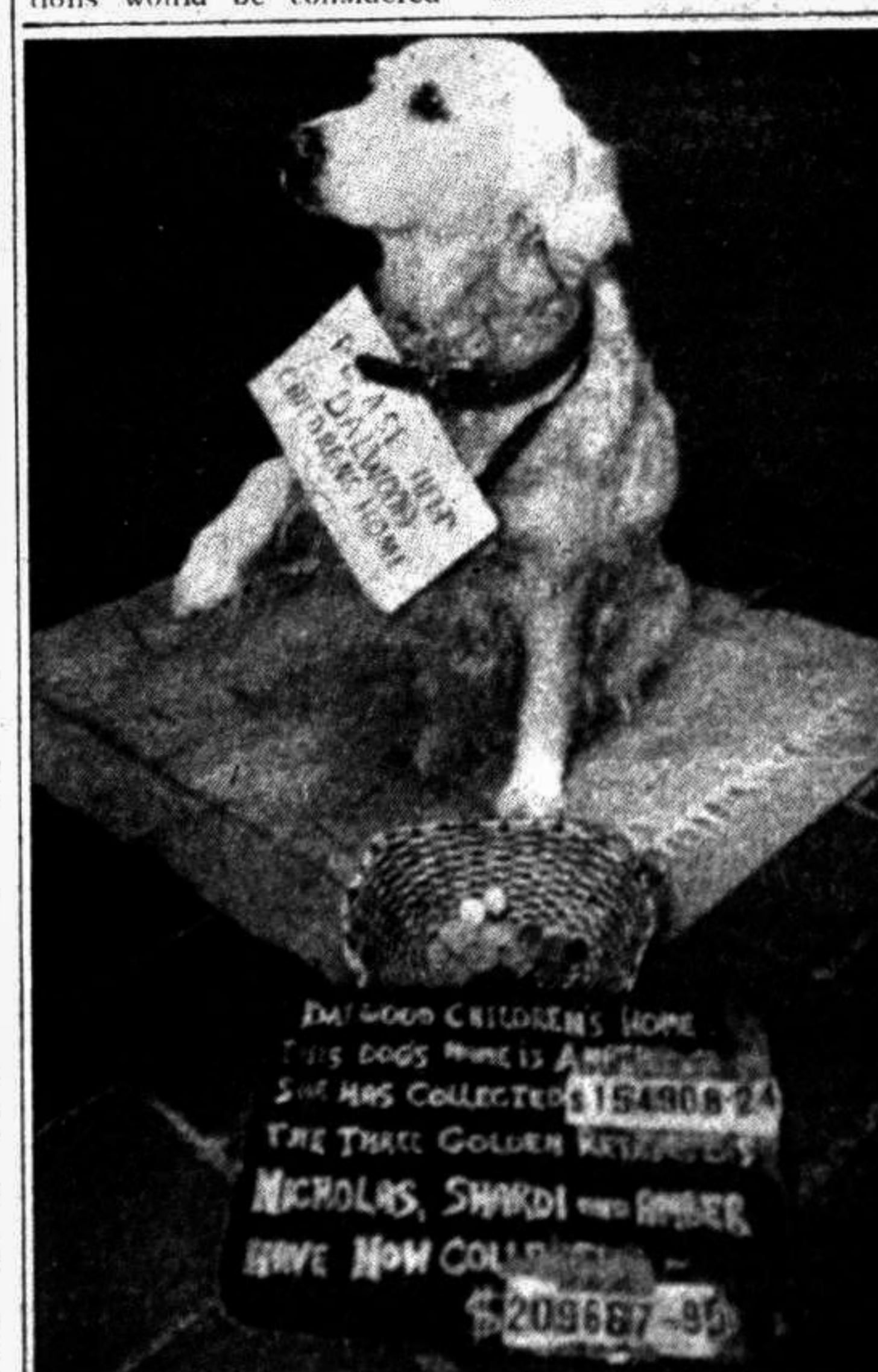
Earlier reports from Bombay the country industrial and business hub, had said brokers were likely to continue the boycott, which started Monday, until they had been reassured which transactions would be considered

valid.

"The fear among the brokers is that they may be left with large chunks of shares which were sold or delivered by persons in the security scandal and who's properties have been attached," the business and political Observer newspaper said.

Federal agents have arrested leading Bombay broker "big bull" Harshad Mehta, two of his brothers and several top bankers allegedly involved in a plot that illegally siphoned government bonds from the banks to play the markets.

The BSE was on a wild bull run until the scam was unraveled in April, and has been steadied only by government-owned financial institutions.



SYDNEY: "Amber" the golden retriever solicits spare change from passers-by to support the Dalwood Children's Home in Sydney on June 16. Amber has raised nearly 155,000 Australian dollar (US\$117,955) for the home's remedial school, kindergarten and baby health clinic. —AFP photo