

BRIEFS

Iraq to defy UN terms for oil export

NICOSIA, July 14 : The Iraqi leadership has decided to turn down the latest United Nations terms for the resumption of limited export sales of its oil, the influential energy newsletter Middle East Economic Survey (MEES) said on Monday. MEES said the decision was reached following several meetings in Baghdad between Deputy Prime Minister Tariq Aziz and the Iraqi team headed by Abdul Amir Al-Anbari, which conducted the last round of talks with the UN in Vienna in June, reports Reuters.

EC medical assistance for Russia

BRUSSELS, July 14 : European community finance ministers on Monday approved emergency medical assistance for Russia of as much as 205 million dollar. German officials said the aid — amounting up to 150 million European currency units — would be available immediately to the financially strapped nation. "It can now be released for serious humanitarian reasons," said a British official, demanding anonymity. The money is part of 684 million dollar (499 million Euros) in credits the 12-nation community has earmarked for Russia. Overall the trading bloc has put together a package worth 1.7 billion dollar (1.25 billion Euros) in loans for the former republics of the Soviet Union. Russia will get the largest chunk of the aid, reports AP.

Taiwan issues 1.6m credit cards

TAIPEI, July 14 : Taiwan has issued more than 1.6 million credit cards as of June this year, with card holders spending well over 22 billion Taiwan dollar (880 million US) in the first six months, a card clearance house official said Monday. The five most popular credit card companies have issued 1.65 million credit cards as of June this year, showing that people here have gradually accepted the spending practices of the west. Chu Chien-Hsuan, Deputy President of the United Credit Card Centre, said, reports AP.

UAE oil export to Japan drops

ABU DHABI, July 14 : The value of United Arab Emirates (UAE) oil exports to Japan fell by about 30 per cent in the first quarter of 1992 due to a drop in prices and supplies, a Japanese trade official said Monday. They stood at 1.85 billion dollar compared with 2.69 billion dollar in the first quarter of 1991, said Mitsuo Ono, Director of the Dubai-based Japanese External Trade Organisation (JETRO). "The decline is because prices were higher and the UAE exported much more oil to Japan in the first quarter of last year," he told AFP, reports AP.

Plan to merge gold mines unveiled

JOHANNESBURG, July 14 : Gold Fields of South Africa (GFSA) unveiled plans Monday to merge three of its gold mines: Kloof, Libanon and Venterspost. Without the merger, Venterspost and Libanon would have to close, and that would cause pumping problems for high-yield Kloof, GFSA said. With it, mining could continue at Libanon and to a limited extent at Venterspost, and Kloof's pumping problems would be avoided, GFSA said, reports AP.

US initiative for trade offices in CIS

WASHINGTON, July 14 : The Department of Commerce has announced it will give up to \$ 500,000 each to US industry trade associations to open trade offices in the former republics of the Soviet Union. Issued under a programme called the Consortia of American Businesses in the Newly Independent States, the grants would defray up to half the costs for starting and operating such offices for three years, the Department said July 13, reports AP.

Russia's oil extraction drops

MOSCOW, July 14 : Russian oil extraction dropped sharply in the first half of this year and is likely to keep on falling, a government official said on Monday. Yuri Zlotnikov, a deputy head of department at the Fuel and Energy Ministry, said oil extraction had slipped by 20 million tonnes to around 200 million tonnes in the first six months, reports Reuters.

Strong competitive challenge from Japan will continue

Recent press accounts have emphasised the economic difficulties in Japan. A combination of the stock market collapse and declining real estate prices has created some financial difficulties. Combined with a general overheating of the economy over the past several years — with real economic growth exceeding the long-run potential — these developments have caused a weakened economic performance this year. These developments appear to suggest that Japan's economic challenge to the United States, such a prevalent topic in recent years, is something of the past.

The late 1980s were an extraordinary time in Japan. Faced with strong yen appreciation after 1985, the government stimulated the economy mainly through monetary policy — lowering interest rates and expanding money supply. Extremely low interest rates brought a surge in productive investment; real economic growth from 1988 through 1991 averaged 5.2 per cent annually, and corporate fixed capital investment averaged 11.6 per cent. High economic growth could not continue be-

cause it was considerably higher than the annual 3.5-4.0 per cent GDP growth range assumed by most economists to be the long-term growth potential at the time.

Monetary expansion led to unusual speculative bursts of buying in the real estate and stock markets. Disturbed by the potential consequences of speculation, the Japanese government then tightened monetary policy, causing stock market prices to fall by more than half, and, more recently, a real decline in real estate prices. Japanese firms no longer enjoy a major advantage because of lower capital costs.

It would be a great mistake, however, to suppose that the economic challenge from Japan was just a temporary bubble. Japan remains a serious international competitor. Collapse of the stock and real estate markets has resulted in the bankruptcy of remarkably few firms, and the major financial institutions should weather the problem of bad loans without great long-term damage, although their international lending may be disrupted for some time.

Even though economic growth will decelerate this

year, it will remain positive. The slowdown is causing a drop in investment, but the ration of investment to Gross National Product will remain high. In 1991, the ratio of fixed capital formation (residential construction, corporate fixed investment, and government fixed investment) to GNP was 31 per cent in Japan, compared to roughly 17 per cent in the United States. Even slower growth in Japan will leave a visible gap.

Over the rest of this decade, Japan's economic performance is likely to be at or near the upper end of the OECD nations. Even a conservative estimate for Japanese growth of 2.3-3.0 per cent through 1996 would place it ahead of the United States.

Several factors enter into these favourable economic growth forecasts. First, technological change and productivity growth continue at a relatively rapid pace. Japanese firms are rapidly providing that they can do more than import and adapt technology from other countries. In some areas, such as superconductivity, Japanese firms are at the forefront of research and development and

are likely to be the world leaders as these technologies reach the market. Manufacturing firms place heavy emphasis on constant change and improvements, and that focus remains — even though the lack of capital cost advantage will dampen their investment in new technology from the heady days of the late 1980s.

Second, the educational system continues to produce a relatively high average education level, with relatively few dropouts. As production technology becomes more complex, reading, mathematics, science, and problem-solving skills are becoming more important for blue-collar workers. The educational system in Japan provides a high proportion of workers with the necessary skills.

Third, social cohesion remains high in Japan. Despite all the talk about a completely different younger generation, change appears to be rather mild. Not having experienced the war or the poverty of the early postwar period, young people today represent an attitudinal shift somewhat akin to that in the United States in the 1960s. Those now entering their twenties in Japan

represent a baby bust generation. Therefore, social change should continue at a modest pace with a continued emphasis on a strong work ethic.

Demographic trends imply that the population pool for the labour force should start shrinking in absolute terms from 1996. Increased participation of women in the labour force won't provide much relief since 49 per cent of adult women are already working. The reality is Japan is now facing a serious labour constraint unlike anything in its previous history.

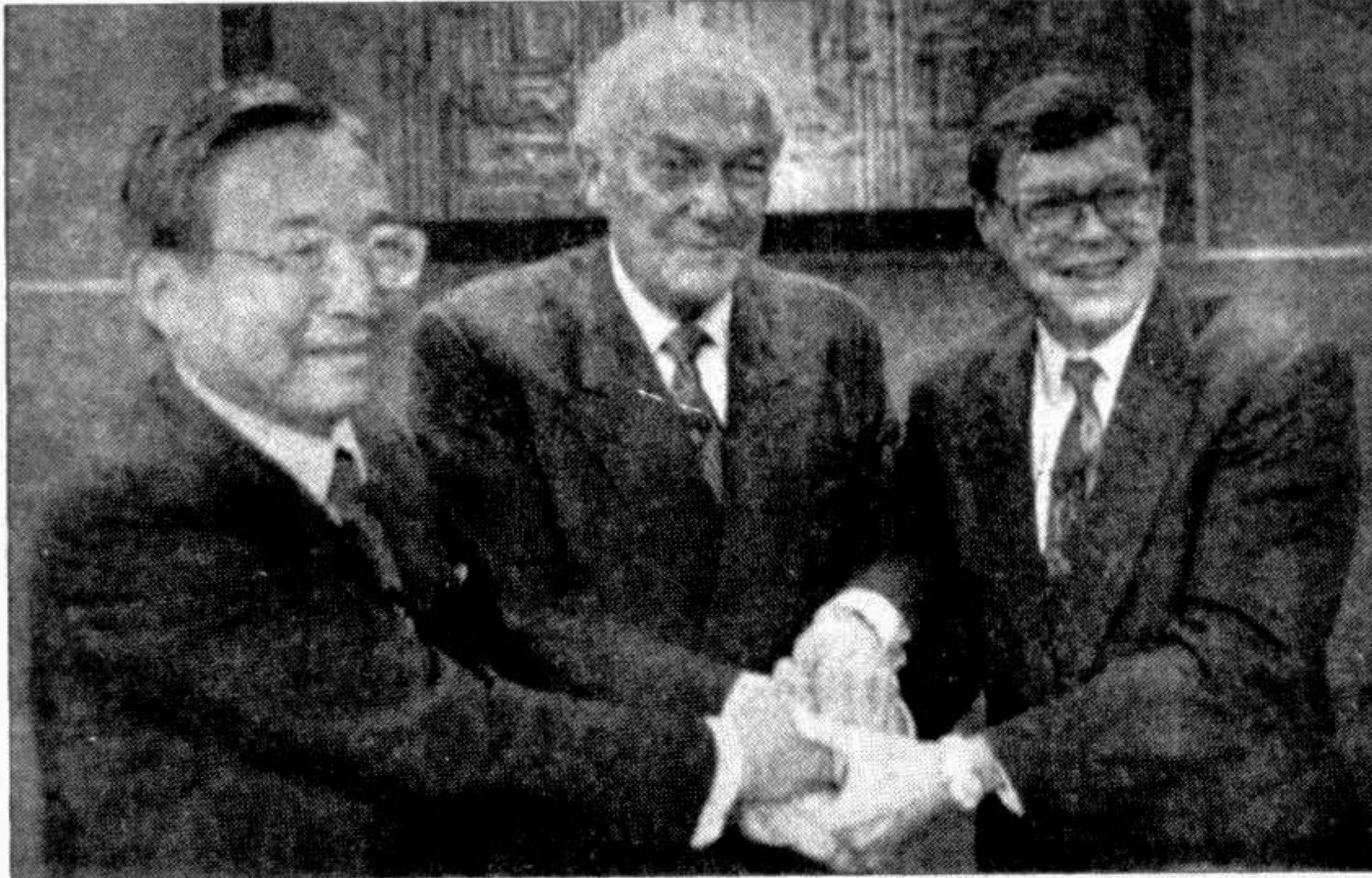
A halt in labour force growth means that even a successful economic performance in this decade will only bring an annual GDP growth rate of one to three per cent. But even with this rate, per capita income will rise. A major implication of this modest overall growth at home is that any Japanese corporation seeking continued expansion must necessarily place a greater emphasis on increasing its global presence.

A second implication of this demographic change will be that Japanese firms will be at the forefront of technology and investment to lower labour in-

puts. Expanded application of industrial robots and numerically controlled machine tools, automated materials handling systems, computerized inventory control, and other technologies will be pushed rapidly in Japan with explicit government assistance to cope with labour shortages. Not only do these technologies reduce production costs, they also tend to increase product quality.

A third implication is that Japanese firms will continue their direct investment overseas. The collapse of the stock market in Japan may mean that the surge in speculative real estate other portfolio acquisitions abroad is largely over. But for the manufacturing sector, continued labour pressures provide a real incentive to invest overseas because technical change and investment at home provide only a partial offset.

Continued strong economic performance coupled with these demographic shifts imply that a strong competitive challenge from Japanese firms — especially those in the high technology sector — will continue.



NEW YORK: Tsuyoshi Kawarishi (L), Executive Vice President of Toshiba Karlheinz Kaske (C), President and CEO of Siemens, and Jack Kuehler (R), President of IBM posing for photos July 13 after announcing their new alliance. The three companies will jointly develop an advanced semiconductor chip, as shown in the background. — AFP photo

US House passes trade bill aimed at opening foreign market

WASHINGTON, July 14 : The House of Representatives has passed a controversial trade bill aimed at opening foreign markets, especially Japan's, to US automobiles and other goods, reports AP.

The measure, approved by a 280-145 vote July 8, would renew for five years the so-called Super 301 section of the 1988 trade law, which lapsed in 1990. That would require US trade officials to identify countries using unfair trading practices and to negotiate removal of the barriers, and would encourage retaliation if negotiations failed.

An amendment added to the bill on the House floor instructs the President to negotiate a 1.65-million-unit annual limit on Japanese car exports to the United States. And it mandates that cars made in the United States by Japanese manufacturers contain 70 per cent US-made parts by 1994, a figure previously agreed to by the Japanese as a goal.

The Bush Administration has strongly opposed the bill, which US Trade Representative Carla Hills has called an "unnecessary and unwarranted" limitation on her flexibility in negotiating trade disputes. The House vote, divided heavily along party lines, fell a bit short of the two-thirds margin that would be needed to override a Presidential veto. No similar legislation has

been taken up yet in the Senate, which also would have to act.

Representative Philip Crane, who led Republican opposition on the House floor, termed the measure "a ragtag collection of special interest trade provisions" that would invite retaliation by trading partners and jeopardize both the Uruguay Round of trade negotiations and prospects for the NAFTA (North American Free Trade Agreement).

The opponents focused in particular on the auto import provisions, with Republican leader Robert Michel describing the bill as "largely a Japan-bashing effort orchestrated by the protectionists." But Democrat Sander Levin, who co-sponsored the amendment with majority (Democratic) Leader Richard Gephardt, argued that "this isn't protectionism, this is antiprotectionism."

With Japan now enjoying a 30 per cent share of the US auto market and all motor vehicle imports in Japan totaling just 3 per cent of that market, it is time for congress to say, "Wake up. There's a threat to a major industry," Levin said.

He noted that the proposed import ceiling would simply make mandatory the voluntary limit that the Japanese Ministry of Trade and Industry agreed to this spring. The number is a bit below the 1.7

million Japanese cars imported by the United States in 1991.

Strong House support for the measure, just months before scheduled national elections, was generated against a background of a 1991 US trade deficit of \$66,200 million — 45 per cent of that total reflecting a deficit with Japan in automobiles and auto parts.

The measure, called the Trade Expansion Act of 1992, contains a range of other provisions that sponsors say are aimed at opening markets to US products. It would:

— Create a new procedure under which the United States Trade Representative (USTR) would be required to investigate allegations of trade violations brought by any "interested party" whose economic interests had been adversely affected.

— Strengthen US trade law with respect to intellectual property, authorizing the Treasury Department to bar entry into the United States of products from any country determined to have policies or practices on intellectual property rights that hurt the US export posture.

— Require the USTR to launch a Super 301 investigation of Japanese, Taiwanese and Korean policies that inhibit US rice exports to those countries, and to try to end such policies

Iran's GDP grows by 10 per cent

NICOSIA, July 14 : Iran's Gross Domestic Product in fixed prices grew by about 10 per cent the year to March 20, led by large increases in utilities, industries and mines sectors, the Iranian news agency IRNA said, reports Reuters.

Quoting figures from a report the central bank governor Mohammad Hossein Adeli submitted to the cabinet on Sunday, IRNA said GDP stood at 46.8 trillion rials for the year.

Adeli said the figure was based on preliminary reports. The GDP growth rate is higher than the average annual 8.1 per cent target of the five-year plan to march 1994.

Adeli said growth was led by 27.1 per cent in the power, gas and water sector and 18.5 per cent in industries and mines.

Economic policy towards low inflation: Major

LONDON, July 14 : Prime Minister John Major told parliament British economic policy was being directed towards low inflation — "Nil if possible", reports Reuters.

"No one expected that an anti-inflationary policy was going to be easy . . ." Major said. "It is absolutely imperative that we do not duck the necessity of bringing inflation down to a level below that of our competitors, as low as we can get — to nil if possible — and seek to keep it there."

Major said that the European currency grid — the Exchange Rate Mechanism — was the cornerstone of British anti-inflationary policy. He rejected calls to relax the anti-inflation stance and pull out of ERM or float sterling.

"We are now making great progress on inflation. I have no intention of throwing it away," he said.

Major noted that British inflation had fallen to 3.9 per cent in June from a peak of 10.9 per cent when Britain joined the Exchange Rate Mechanism (ERM) in October 1990.

Over the same period it had been able to cut interest rates to 10 per cent from a peak of 15 per cent.

It would not sacrifice that progress, he said, Major is confronting growing opposition to his policies as few signs emerge of recovery in Britain from almost two years of recession.

Another report adds : British Prime Minister John Major's high profile comments at the weekend ruling out a sterling devaluation have done little to calm market fears or to silence Euro-sceptics within his own party ranks, reports Reuters.

US likely to retaliate against ROK's shipping practices

WASHINGTON, July 14 : Failure in negotiations with South Korea has made US retaliation more likely against that country's barriers to foreign cargo transportation middlemen, reports USIS.

According to minutes of the July 8-9 negotiations in Washington, South Korea failed to agree to lift foreign investment restrictions quickly for the US middlemen who consolidate freight shipments, called freight forwarders and non-vessel-operating common carriers.

The US delegation, headed by the Transportation Department, said the inability to establish a fully owned operation in Korea effectively prevents US companies from shipping goods from Korea to the United States. It wanted the restrictions lifted within months.

The Korean delegation said the necessary legislation for allowing US consolidating and forwarding companies to set up their own operations in Korea could not pass the National Assembly before the end of 1993.

This dispute is also the subject of investigation by an independent US government agency, the Federal Maritime Commission (FMC), which July 1 proposed retaliatory sanctions against Korea.

Now, just wait, may get a better deal

WASHINGTON, July 14 : It used to be that American consumers, conditioned by high inflation, never put off a purchase. The mentality was : Buy it now, before the price goes up, reports AP.

Now, consumer thinking seems to be exactly the opposite, according to economists, and the result is a mixed blessing. Sales and economic growth are down, but so is inflation.

"In the '80s we were going everything. Do everything right now," said economist Paul Lally of RII Wrightson and Associates in New York. "Before, everybody was worried about inflation — that the price would go up. Now, everyone thinks, 'If I just wait another month, maybe I'll get a better deal.'"

Analysts Tuesday are getting the latest reports on both sides of the economic coin: growth and inflation. The Labour Department is scheduled to release its Consumer Price Index for June while the Commerce Department is reporting on retail sales for the month.

In advance, economists were expecting a modest 0.3 per cent gain in consumer prices, following slight increases of 0.1 per cent in May and 0.2 per cent in April.

A plunge in energy costs, especially for gasoline, is expected to have contributed to inflation in June, but by this

month gasoline prices already were moderating, according to economists.

Last week, the Labour Department said prices paid by wholesalers rose a modest 0.2 per cent in June, with most of the gain concentrated in energy.

For the first five months of this year, inflation at the consumer level was running at an annual rate of 3 per cent, slightly less than last year's rate for the full year of 3.1 per cent and well below 1990's 6.1 per cent.

Analysts are expecting little acceleration in price increases. A consensus of 52 economists published by Blue Chip Economic Indicators of Sedona, Ariz., is that they will rise 3.2 per cent this year and 3.5 per cent in 1993.

"Inflation is low because of lousy demand. There aren't a lot of dollar chasing goods out there," said economist Sung Won Sohn of Norwest Corp in Minneapolis. "At least for the balance of this year and much of 1993, the forces that generate low inflation will continue to be there."

The muted inflation outlook means, according to Sohn, that the Federal Reserve should be able to cut interest rates again if needed to stimulate consumer and business borrowing and spending.

Indian bond scam

Bombay brokers refuse to resume trading

BOMBAY, July 14 : Striking brokers on Monday rejected a plea to end a month-long boycott of the Bombay Stock Exchange bourse over a huge financial scandal, reports Reuters.

"Simply not practicable," broker Ramesh Mantar told Reuters, referring to proposals to halt the boycott. "It will only worsen the crisis."

The heads of five major exchanges on Saturday asked the brokers to resume trading on a "spot basis," in which shares are first verified and deals settled within three days.

But the officials said shares registered in the names of 44 individuals or firms, including brokers, whose assets have been frozen by the authorities could not be traded. The brokers' boycott was triggered on June 15 by the freezing of assets held by those allegedly involved in the billion-dollar securities scandal centred in Bombay.

Brokers said they expected the government to freeze more assets, putting fresh transactions at risk.

Stock market closes higher in New York

NEW YORK, July 14 : The stock market ended higher Monday in light trading with little news to stimulate the market, reports AP.

"We're just dead in the water," said William E Raftery, Vice President with Smith Barney, Harris Upham and Co brokerage firm.

"There are no themes, there is no major direction to the market."

William Dodge, chief investment strategist with Dean Witter Reynolds Inc, described it as a "summer doldrums day."

Stocks received mixed signals from markets abroad. Shares were higher in Tokyo, but lower in London.

Like last week, investors were mostly watching second-quarter earnings and reacting accordingly, traders said.

CBI files one more case for defrauding a housing bank

NEW DELHI, July 14 : Indian investigators filed one more criminal complaint against a key suspect in a billion-dollar securities scandal, charging him with defrauding a housing bank, a local news agency said, reports Reuters.

The Press Trust of India (PTI) said the Central Bureau of Investigation (CBI) had charged stock broker Harshad Mehta, the alleged kingpin of the scandal, and three bank officials with defrauding the National Housing Bank (NHB) for 12 billion rupee (US dollar 461 million).

Mehta is among 25 people, including brokers and bank officials, arrested for alleged involvement in the scandal.

PTI said the CBI had filed complaint before a special court in Bombay, set up to try those accused in the scandal, after receiving information from the NHB, a subsidiary of the Reserve Bank of India (RBI), the country's central bank.

It was the eighth in series of complaints the CBI had filed after the scandal erupted in April, PTI said.

The news agency did not give details of how the four accused had defrauded the NHB. The three bank officials named in the complaint were Ravi Kumar and Suresh Babu, both of the NHB, and R. Sitaraman of the State Bank of India

Environmental concerns will spur contest for efficient energy

WASHINGTON, July 14 : Concerns about the environmental effects of carbon dioxide and other "greenhouse" gases will soon lead to a vast global competition for increasingly efficient energy technology, says Christopher Flavin, vice president for research at the Worldwatch Institute, writes USIS.

The countries that make the most decisive progress in that area will also reap the greatest economic benefits, Flavin said during a July 9 teleconference with scientists and environmentalists in Kuwait City. "Ultimately, the question of competitiveness and cost is going to be turned on its head," he said.

Flavin pointed out that as the demand for oil — one of the primary producers of carbon dioxide — decreases, Middle Eastern and Gulf states

could well become major suppliers of other, cleaner sources of energy. The abundance of solar power in the region, and its large reserves of natural gas provide two promising options for the region, he said, predicting that for many industries, natural gas will serve as a "transitional fuel" between oil and solar energy.

Although previous efforts to find cost-efficient substitutes for oil and coal produced only limited results, Flavin stressed that the impetus now comes from environmental, rather than monetary needs. Evidence that trapped "greenhouse gases" are slowly warming the earth's climate has added a sense of urgency to the search for clean, renewable sources of energy.

In response to a Kuwaiti scientist who insisted that the debate over the very existence

of a global warming trend is still undecided, Flavin emphasised that there is indeed a "scientific consensus" on the issue. A three-year study conducted by a United Nations panel concluded that the threat of global warming "is very substantial, very real and potentially very damaging" in the decades to come, Flavin underlined.

That same consensus, he added, formed the basis for the treaty on global warming that was signed by most of the world's governments at the Rio de Janeiro summit in June.

Flavin acknowledged that more research and evidence is always welcomed by the scientific community, but he stressed that the potential threat of continued global warming is such that "we cannot wait for absolute, scientific certainty before we make deci-

sions to change our patterns of energy supply and consumption."

Current estimates indicate that by the time all possible research has been completed, "it will probably be too late to do anything about the problem, assuming that it does turn out to be a serious problem, he said.

Among other dangers, a global temperature shift could so dramatically shift rainfall patterns that a high-rainfall area "could suddenly become a virtual desert, according to some models," Flavin warned.

The climate treaty signed at the Rio summit is "vague," but it makes clear that countries "should take prudent and economical steps, as soon as possible, to begin limiting their emissions of carbon dioxide," Flavin said. The "implied obligation" of the industrialised

nations "to at least stabilise their emissions by the year 2000," he said.

Japan and several European countries are moving more rapidly to re-vamp their energy policies and promote development of renewable energy, Flavin said. There is "a very good chance," he added, that a number of countries will impose taxes on carbon dioxide emissions in the next few years.

Despite worries that such taxes could retard economic growth, Flavin contended that a gradual, "relatively limited" carbon dioxide tax "would actually be a spur to the US economy."

"There are a lot more energy sources other than coal and oil," he emphasised. Given the danger of global warming and the "enormous potential" for development of natural gas,

solar energy, wind energy, geo-thermal energy and overall energy efficiency, "you have to come to the conclusion that we should go ahead and adopt these measures," he said. Flavin said that the industrialised countries are "in a good position to change the patterns of energy supply and use. Technology now exists that could make driving, heating, lighting, refrigeration, and other energy-consuming activities twice as efficient as before, he said.

Flavin was unenthusiastic about current US efforts to make ethanol — a gasoline substitute — from corn, but said that newer technologies might enable scientists to make ethanol out of wood and possibly urban waste within five or ten years.

At least a handful of major

automobile manufacturers are busy developing electric cars, and "there seems to be every likelihood that electric vehicles are going to be available in many countries within the next decade," Flavin said. Others are trying to build natural gas vehicles, work that Flavin described as "evolving quite rapidly."

He also stressed that warming is not the only issue concerning environmentalists. One very high profile issue at the Rio summit was the "desperate need in most developing countries to address local and regional environmental problems," he said, including their unsustainable use of water, forest, and grazing resources. "And most of these problems," he warned, "could be further complicated by rapid climate change."