Australia's current, future prospects linked with Japan

SYDNEY: Few countries are more dependent on Japan than Australia. And this reliance sometimes prompts the country to be described as Japan's biggest offshore island — much to the annoyance of Australians, some of the whom still regard Japan with suspicion, if not downright hostility. But the hard cold facts of global trade and commerce have forced Australia into Japan's sphere of economic influence.

Australia's current future prospects are linked to the Japanese economy. Indeed, Australia is hooked on the Japanese market. Australian Prime Minister Paul Keating flies to Japan September 20 for a four-day visit.

He will be looking for some assurances from Tokyo of Japan's continued close association — and, in particular, that Australia's interests will not be sacrificed in response to pressure from the United States for Japan to buy more American goods.

Australia unfortunately has few bargaining chips compared with the US when dealing in trade matters with Japan. America's trade with Japan is at least 13 times greater than Australia's. But Australia is more dependent on Japan than the United States.

Without Japan, Australia would be the economic cripple of the Western Pacific. By most accounting standards, it would be economically bankrupt, with a mountainous foreign debt and an enormous adverse international trade balance.

Much is stated in Australian government circles about the interdependence of trade between the two countries. And this seems to be confirmed by the list of goods traded. But Japan does not need Australian goods nor the Australian market for economic survival.

Some Australians still persist in believing that Japan has no alternative source for the large volumes of primary products it imports from Australia. They cling to some strange notion that the Japanese ought to be grateful that Australia continues to supply them with raw materials for their industries and food for their tables.

But some Australian industries and communities are totally dependent on Japan's buying power and continued support.

There are coal mining towns in Australia which would shrink and possibly deteriorate into ghost towns if Japan increased coal imports from the United States, Canada, South Africa and other sources. The prosperity of some iron ore mining towns in the west of the Australian continent would also be tenuous.

So would some sheep and cattle ranches around the country relying on sales of wool and beef to Japan. And the future of a few sugar and cotton plantations would also be uncertain.

Japan is Australia's largest trading partner, its largest export market, and second largest source of imports.

Australia's exports of Japan are more than its combined exports to its next four top customers — the US, South Korea, Singapore and New Zealand.

Japan is Australia's largest buyer of its exported manufactured goods. More of Australia's tourist visitors come from Japan than any other country — some 1.5 million of them are expected to fly into Australia annually by the end of the decade.

The Japanese have made tourism Australia's top 'export' earner. It is the country's top growth industry, with greater potential for further expansion than coal or iron ore.

However, there is much criticism in some quarters that Australian tourism has been systematically hijacked by Japanese investment. It is claimed that too many Japanese tourists fly into Australia on Japanese aircraft, stay at Japanese-owned hotels, take tours controlled by Japanese travel entrepreneurs, and buy their gifts and souvenirs in Japanese duty-free stores.

But if the Japanese tourists and the smiling Japanese honeymoon couples ever stop coming to Australia, there will be a mass exodus of Japanese investment capital from the tourism industry. It would still survive, but in a very reduced form.

Japan is currently the second largest foreign investor in Australia, and Australia is the world's third largest recipient of direct Japanese offshore investment.

Japan is Australia's largest trading partner, its largest export market, its second largest foreign investor and second largest sources of imports

Despite agitation from the Australian government for more Japanese capital to be diversified into manufacturing and high technology industries, Japanese investment in Australia generally goes into mining, agriculture and tourism.

There is considerable resentment in Australia because the country's industries are being victimised to help solve the trade imbalance between Japan and the US. Just about every time Washington puts pressure on Japan to import more American goods, Japan cuts back on imports from other countries, including Australia.

In an address to the Australia/Japan Economic Institute Business Outlook Conference in Sydney early this year, Australian Treasurer John Dawkins said Australians "always get concerned when countries like the United States attempt to apply pressure to Japan in relation to trying to find artificial solutions to the trade dilemmas which affect the Japanese-US trading relationship."

He added that "we get nervous because there is a tendency for pressure to be applied to Japan to solve their country trade problems at our expense."

This nervousness recently prompted the top executive of the Australian government's trade promotion body, Austrade, to comment that "sometimes in our dealings with Japan we feel like any body would who had to face Konishiki in the suno ring. Frankly speaking, we fare we might be flattened."

Trade figures actually give the US more reason to expect Japan to cut back its imports from Australia.

While Australia's exports to Japan have increased over the past three years, imports from Japan have declined. Last year, the trade balance in favour of Australia was in excess of 4,500 million US dollar — more than three times the excess of 1989.

Exports of Australian manufactured goods to the Japanese market are extremely vulnerable. Japan is the biggest importer of Australia's manufactures. Over the past 10 years, Australia's exports of manufactures to Japan have increased tenfold.

While this has rightly been hailed as a dramatic and welcome breakthrough, most exporters know they would have extreme difficulty finding alternative customers if they lost their Japanese markets. A significant proportion of the exported goods are parts made in Australia for Japanese auto vehicles — they could not be exported to other markets.

— Depthnews Asia

BRIEFS

German parliament okays Maastricht

BONN, Dec 20: Germany's upper house of parliament approved the Maastricht Treaty completing Bonn's ratification of the accord on European political and economic union government and opposition parties in the upper house, the Bundesrat, vote unanimously in favour of the European Community treaty aimed at creating common currency, security and foreign policy. Many politicians from Chancellor Helmut Kohl's centre-right coalition and the Opposition Social Democrats (SPD) in both houses had voiced misgivings about what they see as a lack of democratic accountability in EC decision-making, reports Reuter.

Debt-ridden state sector in China

BEIJING, Dec 20: China's labour minister said he was cancelling quotas for the number and wages of employees in state-owned enterprises, the official China Daily newspaper said Saturday. The move is intended to help the debt-ridden state sector become more competitive. However, it falls short of giving companies full decision-making power over their payrolls. Labour Minister Ruan Chongwu said the government will retain control by requiring companies to tie wage increases to productivity increases, or by setting overall payroll ceilings for each company, reports AP.

Cairo allows foreign banks to deal

CAIRO, Dec 20: Offshore bankers in Egypt are fretting at a new law which will allow them to deal in Egyptian pounds if they take on Egyptian partners and guarantee all deposits from their parent banks overseas. They say the law saddles them with all the risk in return for only part of the profit. Some say they will stay out of the local currency because of the conditions. They will have to weight the profits of their traditional business against anther new requirement — that they increase their paid-up capital many times over, reports Reuter.

MOSCOW: Russian President Boris Yeltsin (L) shaking hands with parliament speaker Ruslan Chasloulatov December 19. Yeltsin cut short his state visit to China, saying he had to 'restore order' in Moscow and rescue reformers in the throes of a political battle over the make up of the government. The woman in the centre is unidentified. — AFP/UNB photo

Royal Dutch Shell pull off from Indian jt venture

NEW DELHI, Dec 20: Royal Dutch Shell, the world's largest petrochemical company, has decided to pull out of an Indian private sector joint venture, citing irreconcilable differences with its partner, says AFP.

The decision to divert its 33 per cent holding in National Organic Chemical Industries (NOCIL) was announced at an extraordinary meeting of shareholders in Bombay on Saturday, the Economic Times reported.

NOCIL is a 31-year-old company promoted by India's Mafatlal industries and Royal Dutch Shell, manufacturing a range of petrochemical products.

Its turnover in the last fiscal year amounted to 210 million dollar and its market capital is estimated at 166 million dollar.

Taiwan's parliament may examine economic policy

TAIPEI, Dec 20: Taiwan's newly elected parliament is expected to scrutinise current economic policy, especially the massive national development plan described as wasteful by the opposition, observers said Sunday, reports AFP.

The influence of "money politics" in the law-making body is also likely to wane following the defeat of many candidates with powerful financial support from business in Saturday's landmark elections to the 161-seat legislative Yuan.

The main opposition Democratic Progressive Party (DPP) won 50 seats, more than doubling its presence in the legislature, in what was seen as a major setback for the ruling Kuomintang (KMT), which won 96 seats.

Economist Yang Chun-Hsin of the Academia Sinica, Taiwan's top academic research institution, said DPP scrutiny could help "reduce excessive waste in the development plan to more efficiently utilise the country's resources."

The cost of the plan has been set at 303 billion US dollar.

At the same time, the monitoring presence of the DPP could result in a redistribution of the country's economic and financial resources, observers said.

The KMT has pledged to elevate the island to developed-nation status by 1997 through the six-year development plan which involves the construction of nuclear power plants, high-speed trains, mass-transit systems and anti-pollution facilities.

The government has also promoted the island's extensive business opportunities to woo partnerships with industrialised nations that do not maintain diplomatic ties with this nationalist-held island.

With two leading stock players winning on Saturday — including textile tycoon Oung Ta-Min, whose Hualon Group handles an estimated one-fourth of daily transactions on the local bourse — fevered debates are expected to a stock transaction tax and other bourse-related issues, said Kuo San Chi, Public Policy Professor at National Chung Hsing University.

Lights remained off in UK to show support for coal miners

LONDON, Dec 20: Lights on many public buildings across Britain were switched off for five minutes on Saturday evening in support of thousands of coal miners facing unemployment, reports Reuter.

The national union of mine workers, battling a government plan to close more than half of Britain's state-run coal mines, called for the switch-off.

Eight Scottish miners, who walked more than 600 miles (1,000 km) from Glasgow, delivered a letter of protest to Prime Minister John Major's official home earlier on Saturday.

The miners and their supporters gathered at Westminster Abbey, opposite parliament, to watch while Christmas tree lights outside the cathedral were switched off.

India's parliament extends term for scam probe

NEW DELHI, Dec 20: India's parliament Friday extended to term of a committee probing a 1.3 billion dollar stock market scam pulled off by a nexus of bankers and brokers, reports AFP.

The Joint Parliamentary Committee (JPC) will submit its findings on the last day of the three-month budget session beginning in February instead of December 22, the date by which it was to have would up.

Parliament unanimously endorsed a motion introduced by the 30-member committee's chairman, Ram Niwas Mirdha of the ruling Congress (I) Party, extending its term.

The panel's hearings have been affected by political turmoil stemming from the December 6 razing of an ancient mosque in Ayodhya town by Hindu zealots, which triggered a wave of communal violence.

The JPC was constituted after disclosures in April that a nexus of bankers and brokers had colluded to siphon off 1.3 billion dollar in fraudulent securities transactions to make money in a booming stock market.

Japanese ministers divided over controversial rice policy

TOKYO, Dec 20: A discord emerged among Japanese ministers over a controversial import ban on rice amid intensified international pressure to drop the policy and move ahead with the Uruguay Round of GATT talks, reports AFP.

In a tone apparently different from other leaders, agriculture, forestry and fisheries minister Masami Tanabu flatly rejected the elimination of the ban.

Japan "just cannot accept" the lifting of its ban on rice imports, Tanabu told European Community Commission Vice President Frans Andriessen, who called for Japan to make a compromise like other countries.

"We have passed three resolutions at the parliament," Tanabu was quoted by officials as saying, referring to the 1980, 1984 and 1988 votes that confirmed Japan's decision to continue supplying the nation's principal crop from domestic sources.

Lifting the ban could be the biggest challenge to the nation's farmers since 1988, when Tokyo bowed to US pressure to open beef and citrus markets.

Tanabu's statement came as international pressure grew for Japan and South Korea to allow rice imports toward a more successful Uruguay Round of General Agreement on Tariffs and Trade (GATT) talks, aimed at liberalizing world trade.

Following last month's agreement on farm subsidies between the United States and the European Community, the focus of the talks shifted to the question of rice sales to the two countries.

The change apparently prompted key Japanese leaders to rethink their policy of protecting farmers, who are strong supporters of the ruling Liberal Democratic Party (LDP), from cheap foreign rice.

Prime Minister Kiichi Miyazawa hinted over the weekend that the time was approaching for the easing of the ban, saying: "Japan should not be allowed to damage the Uruguay Round."

"As one of the seven leading industrial nations, Japan must take responsibility for a successful conclusion of the trade talks," International Trade and Industry Minister Yoshiro Mori was quoted as saying Wednesday.

But the LDP would risk losing long-time support from farmers in general elections expected next year if it were to ease the import ban to remain friends with the business circle.

A change in the policy would "erode farmers' trust in politics," said Mitsugu Horiuchi, head of a powerful farm lobby that has long supported the LDP. He was speaking at a protest rally attended by 10,000 farmers Wednesday.

"In addition to the Sagawa scandal, if the rice market restrictions removed, the farmers would change their minds about supporting the LDP," echoed Shiro Abe, a 65-year-old rice grower and regional farm leader in Yamagata, northern Japan.

The scandal, centered around the gangster-affiliated Tokyo Sagawa Kyubin trucking firm, exposed cozy relations between LDP elders and the underworld. Illegal political donations from the company t former senior LDP leader Shin Kanemaru dampened support for the Miyazawa administration.

In 1989, the LDP also suffered a historic setback when it was battered in upper house elections by the opening of the country's beef and citrus markets, the recruit shares-for-favours scandal and the introduction of a consumption tax.

Ayodhya aftermath grips Bombay stock market

BOMBAY, Dec 20: Uncertainties gripping India after widespread Hindu-Muslim violence continued to over shadow the Bombay Stock Exchange (BSE) over the week, although prices started picking up by the weekend, reports AFP.

The BSE sensitivity index, based on 30 blue chip companies, dropped 2.3 per cent to 2476.39 points and the national index, a barometer of India's economy, dipped 5.1 per cent to 1,107.8 points during the lacklustre week.

The average daily turnover was 21.50 million dollar, down from the previous week's daily trading of 26.6 million dollar. In better times the BSE has recorded a daily turnover of more than 33.3 million dollar.

Reports that a section of Prime Minister PV Narasimha Rao's ruling Congress (I) party wanted him to quit following the December 6 demolition of a mosque and the subsequent violence led to near-panic on the country's premier stock exchange, traders said.

Rao has been the key force behind market-based economic reforms popular here in India's business capital.

The political uncertainties discouraged major operators from making fresh purchases even while selling off selective holdings which had appreciated during the five-day trading week.

The traders say the current situation is expected to affect corporate growth and most companies therefore were likely to post poor second-half results.

Associated cement companies 100-rupee shares slipped from 2,375 to 2,350 rupee.

Most precious metals recover slightly from recent losses

LONDON, Dec 20: Commodities markets slowed down over the past week, as news on the economic front was insufficient to give a final boost to prices and few market players wanted to take positions before the year-end, reports AFP.

Brent prices were supported by news of production cuts by Nigeria and Iran, and hopes that other OPEC countries will do the same.

Precious metals recovered slightly from recent losses but analysts said the move might be temporary, and they do not expect a strong rally in the absence of a fundamental change in demand.

Coffee prices varied little and should remain around the same levels until the next International Coffee Organisation (ICO) meeting in London between January 25 and February 5.

Cocoa prices fell to their lowest level for eight months, pressured by high Ivorian arrivals.

On the London Metal Exchange (LME), prices stabilised following recent losses on the world economic slowdown and weak prospect of an immediate recovery in demand.

GOLD: Firm gold prices rose to their highest level for eight weeks, boosted by better jewellery purchases ahead of Christmas and by technical buying following recent losses. Prices had recently fallen to 330 dollar per ounce, their lowest level for nearly seven years.

But prospects for further improvement were overshadowed by the latest Organization for Economic Cooperation and Development (OECD) forecasts, saying that growth will remain weak in the main industrialised countries in 1993 and that inflation will continue to go down. These forecasts should not lead investors to buy gold, traditionally a safe heaven in times of high inflation.

Some German banks called for taxes to be lifted on gold in all major European Community countries, as Germany moved to scrap vat on the metal, which would encourage investment demand.

PLATINUM: Steady. Platinum prices firmed slightly following gold on speculative buying after recent losses.

The market ignored new massive job cuts announced by Ford across Europe, despite car catalysts being platinum's main industrial use.

SILVER: Quiet. Silver prices followed other precious metals and finished the week slightly higher. The fundamental trend remains weak, however, due to high stocks, traders said.

COPPER: Slightly lower. Copper prices were affected by lower activity ahead of Christmas, higher production and the poor prospects for a recovery in base metal prices in 1993.

Chile's fine copper production surged by 6.7 per cent to 1.45 million tonnes in the year ended in September, from 1.36 million tonnes the previous year, the national geology and mining service (Sernageomin) said.

LEAD: Steady. Lead prices moved little over the week, just below the 300 pounds per tonne mark.

The Economist Intelligence Unit (EIU) forecast a 45,000 tonnes surplus of western world lead supply over demand this year, falling to 15,000 tonnes in 1993 before turning in to a 30,000 tonnes deficit in 1994.

ZINC: Weak. Zinc prices were affected by rumours that 20,000 tonnes of zinc stored in LME warehouses have not been declared in order not to depress the market.

ALUMINIUM: Quiet. After a slight setback early in the week, aluminium prices rallied and finished the week practically unchanged.

The EIU forecast that prices should trade between 1,200 and 1,250 dollar per tonne in 1993 due to excess world production and high stocks, before starting a recovery in 1994. Producers should announce new output cuts in view of the slowdown in demand, particularly in Russia.

NICKEL: Firmer. Nickel prices gained further ground, rising towards the 6,800 dollar/ tonne mark on speculative buying following the slide in prices this year due to the world economic slowdown. Price have fallen from 8,600 dollar at the start of the year.

TIN: Weak. Tin prices lost further ground due to weak industrial demand, especially ahead of Christmas. Prices have fallen below 5,800 dollar/ tonne and the EIU said they would probably not rise above 7,500 dollar before 1994 as the world economy recovers.

LME stocks rose by 30 tonnes to 14,710 tonnes.

COFFEE: Firm. Coffee futures moved in a narrow range above the 1,000 dollar-per-ounce mark, their highest level for a year, helped by prospects of tighter supply and better roaster buying before Christmas.

The US Department of Agriculture (USDA) forecast that world production of green coffee will fall by seven per cent in 1992-93 to 95.9 million bags (60 kilos each). The USDA also forecast production in Brazil, the world's leading producer, at 24 million bags, whereas most analysts' forecasts range from 18 to 22 million bags. Brazil produced 27 millions bags in 1991-92.

COCOA: Weaker. Cocoa futures fell for the fifth consecutive week, hitting their lowest level for eight weeks on the prospect of high Ghanean and Ivorian deliveries.

The Ghana cocoa board said that purchases to planters since the start of the seasons in October amount to 142,981 tonnes against 123,448 tonnes in the first eight weeks a year ago. High Ivorian cocoa arrivals were also reported.

SUGAR: Slightly lower. Sugar futures fell on the prospect of higher-than- expected crops in Australia, with forecasts of a lower crop in Europe ignored.

German statistician F O licht lowered to 30.22 million tonnes its forecast of European production in 1992/93 from 31.54 million previously forecast, compared with 30.26 million estimated for last year.

VEGETABLE OILS: Mixed. Palm oil prices were supported by the latest PORLA (Palm Oil Registration and Licensing Authority) figures, showing that Malaysia palm oil production had fallen by 7.6 per cent in November from the previous month, to 593,032 tonnes.

Soyabean oil was helped by analysts' forecast that world production of soyabeans would have to increase by at least six million tonnes in 1992/93 to 113 million tonnes to satisfy growing demand. The USDA forecast that world production would reach a record 1104 million tonnes in 1992/93, up four per cent from last year.

GRAINS: Firmer. Wheat and barley futures moved ahead in London despite Chicago's losses, as US credit guarantees to Russia remained suspended.

The USDA said that the backlog in Russian loan credit repayment for US agricultural products has now reached 44.5 million dollar, compared to 26.4 million the previous week.

TEA: Higher. Prices continued to firm on prospects for lower world supply.

Average prices at the London tea auction were 225 pence per kilo for higher grades against 210 pence the previous week, 160 pence against 150 pence for medium grides, and 115 pence against 105 pence for lower grades.

COTTON: Quit. The indicator price moved little on the Liverpool market, ignoring the latest forecasts by the Australian Bureau of Agriculture and Resource Economics (ABARE).

The bureau forecast a 31 per cent fall in Australia's production in 1992-93, to 346,000 tonnes, but said that world prices should fall by 13 per cent to 56 US cents/ pound due to lower demand, before recovering in 1994-95.

WOOL: Weak. Wool top prices in bradford remained weak due to low activity by industrial users and ample world production.

The ABARE lowered its forecast for the world average price in 1992-93, to 545 cents/ kilo from 610 cents three months earlier.