

**BRIEFS**

**Japan's economy termed sluggish**

TOKYO, Jan 14: Japan's economic planning agency weered towards reality Wednesday using the term "sluggishness" to describe the economy for the first time and dropping the old "slowdown" form its monthly report to the cabinet. The agency, which refuses to acknowledge a recession despite meeting the standard definition of two consecutive words of negative growth, said consumer spending remained low while capital spending, previously weak, was now falling, reports AFP.

**Inflation surges in Russia**

MOSCOW, Jan 14: Russian inflation surged in the week from December 29 to January 5, as a substantial decline in the supply of major food products was noted, the economic forecasts centre said on Tuesday. It said the prices of 70 food products jumped by an average of 9.5 per cent in the one week, including a jump of 16 per cent for meat price and 11 per cent for milk and fruit, reports AFP.

**Japan, Russia to talk on economic issues**

TOKYO, Jan 14: Japan and Russia will hold their first talks on trade and economic issues in Tokyo next week, the foreign ministry said on Wednesday. The ministry said it would be the first government meeting between the two countries since Japan and the former Soviet Union held similar talks in Moscow in October 1990, reports Reuters.

**India ranks 6th in world salt output**

JAIPUR, Jan 14: With an annual production of 125 lakh tonnes, India ranks sixth in the world in the production of salt. There has been a phenomenal progress by the industry during the last four decades. The production of salt registered an all time high of 130 lakh tonnes in 1992 against 19 lakh tonnes in 1947, a spokesman of the salt commissioner said here Wednesday, reports PTI.

**Bush envisaged \$8b defence budget cut**

WASHINGTON, Jan 14: If President Bush had been re-elected his military request for next year would have been 268 billion dollar a reduction of eight billion dollar from the previous year, according to Defence Department documents. The documents, which have been circulating at the Pentagon and Congress this past week, say it is "the budget that would have been submitted... had the outcome of the election been different." Bush submitted the broad outlines of a fiscal 1994 budget to Congress last week, but the Pentagon documents provide additional details on the military plan, reports AP.

**37,000 private cars in China**

BEIJING, Jan 14: China, where newly rich entrepreneurs are showing off their wealth in ever flashier ways, now has 37,000 private cars, Xinhua news agency said today. Most cars are Communist China's increasingly clogged roads are owned by government agencies and state-owned firms which let senior officials use them as a sign of their position and power, reports Reuters.

**Cathy Pacific cancels flights**

HONG KONG, Jan 14: Flight attendants from Cathy Pacific Airways Ltd. demanding better pay and working conditions have staged a wildcat strike, forcing the cancellation of at least two flights. The airline, Hong Kong's flagship carrier, called the strike "irresponsible" and promised to fire 28 crew members who refused to work Wednesday night's scheduled flight CX 251 to London, reports AP.

**US presence in Asia welcomed**

KUALA LUMPUR, Jan 14: The leaders of Japan and Malaysia on Thursday called for continued US military, political and economic presence in Asia, saying it was crucial for regional stability. The call came during talks between Japanese Prime Minister Kiichi Miyazawa and his Malaysian counterpart Mahathir Mohamad. Miyazawa is halfway through a three-day visit here as part of a four-nation tour of southeast Asia, reports AP.

# WB denies pressuring South Asia to slash welfare spending

COLOMBO, Jan 14: The World Bank Wednesday said it supported social spending in South Asian countries undergoing drastic economic reforms and denied pressuring borrowers to slash welfare budgets, reports AFP.

Joseph Wood, the World Bank's vice president for South Asia told reporters here that about 25 per cent of their funding in development projects aimed at tackling rural poverty.

Wood rejected charges by a high-level South Asian panel on poverty alleviation that the World Bank and the International Monetary Fund (IMF) were demanding cuts in welfare funds to qualify for development aid.

The Independent South Asian Commission on Poverty Alleviation headed by former Nepali Premier Krishna Prasad Bhattarai warned in November that agreeing to World Bank demands to cut welfare budgets could lead to "horrendous violence."

"They (the commission) are fighting a lost war... we are not trying to reduce social spending... the notion that the World Bank is there to whack the poor is not correct. It does not correspond to the facts," Wood said.

The World Bank has just approved a loan of 500 million dollar to India to provide "some safety nets" to those

who would be affected by the ongoing reform programmes in that country, he said at the end of his official visit here.

He said South Asian countries annually received about 4.5 billion dollar out of the six billion dollar available on concessional terms from the World Bank's soft loan window.

"We do not impose conditions. But naturally, like any other lender, we would like to be sure that the money is being spent on what it is meant for. Call it 'conditions' if you like," Wood said.

Vice Chairman of the panel, Ponna Wignaraja, said they recommended to SAARC nations—Bangladesh, Bhutan, India, Maldives, Nepal, Pako-

istan and Sri Lanka—that they should reject demands to slash social budgets.

Wignaraja said the seven SAARC members were at varying degrees of liberalising their economies at the moment and to take away the "social nets" during the transition could lead to social unrest and political instability.

"To undertake structural changes without social nets for the 450 million poverty-stricken people in South Asia could lead to horrendous violence and put democracy at risk. It would be unmanageable," Wignaraja said.

"We are not being confrontational. We hope that the IMF and the World Bank will

learn a lesson. They can't come and tell us to open the economy like South Korea. They cannot give us such simplistic examples."

"We must have the other social structures like in South Korea and Japan to take care of the poor," Wignaraja said. He describes his commission members as "intellectual guerrillas in the war against poverty."

However, Wood says there is no question of them telling borrowers what to do. "We share our analysis with the governments and they are free not to take it and ask us to get out." But he hastens to add: "If they can afford it."

## World oil prices nearing lowest levels

SINGAPORE, Jan 14: World oil prices are nearing their lowest levels since the end of the Gulf War and traders see little hope of significant recovery soon, reports Reuters.

February prices for North Sea Brent crude, the international benchmark, were quoted at 16.85/16.90 per barrel in morning Asian trade on Wednesday following heavy 50-cent losses in London and New York markets overnight.

Strong OPEC oil production, relatively mild northern winter weather and high inventories triggered the decline. World prices have now tumbled by 20 per cent since mid-October.

A year ago, Brent prices were 16.68 dollar, a key support level.

"It will almost certainly test that (16.68 dollar) and if it

falls through the haemorrhaging will be even worse. It could go another 25-50 cents," one trader with a major oil company said.

The outlook is so bad that even that old market standby—tension in the Middle East—has failed to spur a price recovery.

The oil market has so far ignored the latest stand-off between Iraq and the United States and the warnings from Washington and its allies of military reprisals.

The New York Times said in a report on Wednesday that US President George Bush has approved an attack against Iraq "in principle" but the timing has not been decided.

Oil traders said prices may firm briefly if shooting starts.

## Counter trade can solve India's market problem

CALCUTTA, Jan 14: A round table discussion on counter trade organised by Associated Chambers of Commerce and Industry Wednesday opined that such a trade technique on a wider scale would provide for increased commercial exchanges and economic cooperation for India, specially when its major markets were becoming increasingly difficult to penetrate, reports PTI.

"But so far our approach has been half hearted and the country is yet to make full use of the bulk buying power for negotiating better deals and pushing up exports", the chairman of the foreign trade committee of Assocham, K L Chugh, said initiating the discussion.

The counter trade, besides being a potential source of latest technology and new export markets, would also lead to substantial increase in the share of existing markets.



BAGHDAD: An Iraqi man pays a merchant for food Jan 13. Iraqi President Saddam Hussein has revived his claims on his wealthy neighbour Kuwait and continues to defy the allies on a string of issues. — AFP/UNB photo

## Mazda, Nissan may buy vehicles from each other

TOKYO, Jan 14: Two of Japan's biggest auto makers said Thursday they were studying buying vehicles from each other in a tie-up that would underline how the need to cut costs in a recession in changing the auto business here, reports AP.

Mazda Motor Co. said that under the plan being negotiated it would supply Nissan Motor Co. with a commercial truck model, while Nissan would buy a van model from Mazda.

Each company would sell the model that it purchased under its own brand name, and would stop producing that model on its own, said Mazda spokesman Akira Shigemasa.

Japanese auto makers have traditionally put market share before profits and manufactured their own complete range of vehicles. But under the pressure of recession—Nissan posted a 178 million dollar loss in the April-September period last year—they are increasingly looking to eliminate unprofitable models.

"It's still on a small scale, but it's important as a sign that auto companies are starting to admit they can't be profitable in all markets," said Jonathan Dobson, an auto analyst.

## Dollar mixed, gold up in London

LONDON, Jan 14: The US dollar was mixed against other major currencies Thursday in European trading. Gold prices were higher, reports AP.

In Tokyo, the dollar closed at 125.65 yen, down 0.22 yen from Wednesday's close. Later in London, the dollar was quoted at 125.90 yen.

Other dollar rates in Europe, compared with late Wednesday:

- 1.6235 German marks, up from 1.6230
- 1.4865 Swiss franc, down from 1.4920
- 5.5062 French franc, up from 5.5305
- 1.8210 Dutch guilder, down from 1.8355
- 1.503 Italian lire, down from 1.510
- 1.2790 Canadian dollar, down from 1.2819

In London, the British pound rose to 1.5415 dollar from 1.5395 dollar late Wednesday.

London's major bullion dealers fixed a recommended gold price of 328.20 dollar per ounce at midmorning, up from 327.25 dollar bid per ounce late Wednesday.

In Zurich, the bid price was 328.15, dollar up from 327.50 dollar late Wednesday.

In Hong Kong gold fell 17 cents to close at 328.81 dollar.

Silver traded in London at a bid price of 3.68 dollar a troy ounce, unchanged from Wednesday.

## Corporate Japan exploits workers, says report

TOKYO, Jan 14: Corporate Japan exploited workers in the past decade by paying low wages and forcing them to put in long hours, according to a report released on Wednesday, reports Reuters.

During the five years of vigorous economic expansion from mid-1986, corporate profits jumped more than 60 per cent, but wages increased by less than 20 per cent, the Japanese trade union confederation (RENGO) said in the report.

While Japan's Gross National Product (GNP) rose by an average 4.3 per cent annually for 10 years from 1981, wages increased only 1.5 per cent on average and work hours declined by a mere 0.5 per cent, the report said.

"Japanese workers have not received their fair share of company profits," a RENGO official said. "I suppose you could

call it exploitation."

Japanese workers worked an average 2,008 hours in 1990, while Germans put in 1,598 hours, the French 1,683, Americans 1,948 and British 1,953.

The eight-million-strong RENGO has set itself the highly ambitious target of bringing down Japanese working hours to 1,800 by 1994.

Meanwhile, four bank staff working in Tokyo have lodged a formal complaint with the Tokyo Labour Standard Bureau, alleging their employers failed to pay allowances for overtime work.

The bureau said on Wednesday it would urge prosecutors to investigate the case.

"Since the collapse of the 'bubble economy', we have received about 300 complaints from workers over wages," the bureau's Hiroshi Uto said.

# Indian political parties advised to continue reforms despite instability

NEW DELHI, Jan 14: Indian political parties should agree to continue the country's economic reforms even if the government is changed, Ileri Shanker Singhania, president of the International Chambers of Commerce (ICC), said on Wednesday, reports Reuters.

Such a consensus would instil confidence in foreign investor worried by political instability in India in recent weeks, Singhania said in an interview with Reuters.

"Law and order, peace and stability are essential for growth," said Singhania, who took over as ICC head at the beginning of the year.

Hindu-Muslim riots, in which at least 1,600 people have died since December 6,

and consequent threats to Prime Minister PV Narasimha Rao's government "are not giving good messages," he said.

"We will always have socio-political problems, we should not expect utopia," Singhania said. "But what has happened over the past one and a half months is certainly disturbing."

He said the manifestos of all major political parties had stressed the need for economic reforms at the time of the last general elections in 1991. More concrete support for the programme is needed now, he said.

Singhania also suggested setting up economic zones for foreign investors, similar to

those in China, where special laws could operate to obviate the need to push through controversial legislation in parliament.

India's tough labour laws are seen as a barrier to foreign investment and the government's efforts to amend the laws have been strongly opposed by left-wing parties and trade unions.

"India, while carrying on reforms, could as a strategy choose some economic zones which could develop on a faster track," Singhania said. Such zones could also provide funds at special interest rates, he suggested.

The disturbances in India have not yet affected the pace

of foreign investment into India, Singhania said.

"Investment decisions are taken to middle-term and long-term views," he said, adding that although the riots had caused concern they were being seen as a temporary aberration.

Singhania said Rao has told him the government would clear foreign investment worth two billion dollar shortly, mostly in the power sector. The government has accepted foreign investment of 1.3 billion dollar since it began the reform programme about 18 months ago.

"In three years time, the trickle should become a flow," Singhania said.

# Pak stock exchange urges govt to be consistent in policies

KARACHI, Jan 14: Pakistan's stock exchange has urged the government to start being more consistent in tax and fiscal policies that are currently scaring investors off, said Karachi Stock Exchange (KSE) President Arif Habib, reports Reuters.

"The government's lack of consistency is not only frightening off foreign investors but also deters domestic investment," Habib said in an interview late on Tuesday.

Local and foreign bankers and brokers in Karachi, Pakistan's commercial capital, complain that an apparent lack

of direction in the government's policies demonstrates it has failed to do its homework thoroughly before implementing decisions.

Unfortunately, we have an experience of ad-hocism and frequent changes in taxation and fiscal policies with retrospective effect," the KSE said in a list of proposals for the 1993/94 (July/June) budget sent to the Finance Ministry this week.

Habib cited at least three instances in which the government has "pulled back or wavered from previously announced policies."

For example, the 1991/92 budget made Islamic finance houses, known as Moudarabas, liable for tax for the first time despite and income tax exemption granted to the firms at the time of their inception, Habib said.

He said he had asked for the withdrawal of the tax.

The market was also concerned about a possible end to exemption to capital gains tax. The government had said it would end the exemption to capital gains tax in July 1993, but last year agreed to extend the extension for two more years after the stock market

slumped.

"If the government brings capital gains tax in we may as well close down," said one KSE official.

Habib said he wanted the extension for five more years.

He also cited the government's retroactive withdrawal last year of an excise duty concession to new sugar mills that had been the cornerstone of incentives to boost the sugar industry as another example of inconsistency.

The KSE 100-share index closed at 1,258.73 on Tuesday, the level at which it has hovered for several months.

# Widescale privatisation of Russian businesses begins next month

MOSCOW, Jan 14: Russian economic officials and Western advisers announced Thursday that 14 regions of the country will begin widescale privatisation of medium and large businesses next month, according to AP.

About 500 enterprises—including many state-run factories with thousands of workers—are to be sold to their employees and the public by April, said Dmitri Vasiliev, Deputy Head of the State Property Committee.

The success of the privatisation effort is crucial to the reform policies and popularity of President Boris Yeltsin.

Starting last October, the

Russian government began distributing vouchers worth 10,000 roubles (22.62 dollar at the current exchange rate) to every citizen. Russians will be able to use the vouchers to buy shares in the companies being privatised.

International Finance Corporation, a private investment branch of the World Bank, announced Thursday that it will help organize the auction of the first 20 large enterprises starting Feb 8 in the Volgograd region 900 kilometers (560 miles) southeast of Moscow.

The first 20 enterprises to be sold in the Volgograd region employ more than 50,000 workers.

# Manila, Taipei plan to transform Subic base into industrial complex

MANILA, Jan 14: Taiwanese and Philippine officials announced plans Thursday to transform the former US-run Subic Bay naval base into an industrial complex, reports AP.

Tomas Alcantra, Undersecretary of Trade and Industry, said agreements would be signed Friday to begin implementing the plan for the former base, which the Americans left in November after nearly a century.

"We come here to seek a mutually beneficial way for development for both sides," Taiwan's Vice Minister of

Economics Vang Shig-Chien said. "We both would like to go full speed ahead."

Richard Gordon, Mayor of adjacent Olongapo and chairman of the government's Subic Bay Metropolitan Authority estimated that 100,000 people would be working at plants in the Subic area within three to five years.

That would compensate for the thousands of jobs lost when the Philippine government ordered the Americans to leave.

# Japan fretting about new US administration's trade policy

TOKYO, Jan 14: Expectations that Bill Clinton will talk tough on trade and demand that Tokyo shoulder more global responsibilities have Japanese officials worried, writes AP.

To head off a new round of trade disputes, officials here are hoping for a quick US economic recovery. They also say it's time for Japan—often slow to respond to world events—to take the initiative and begin forming a more equal relationship with Washington.

They have plenty to fret about. The trade gap is widening, and Japanese companies are unlikely to meet targets for increased imports of US cars and semiconductors.

Officials fear that as the first rush of optimism wears off for the new Clinton administration, eyes may again turn to Japan just as sales of US semiconductors in Japan are due to be scrutinised in March. The US chip share is expected to fall to reach a 20 per cent goal set in 1991.

The Clinton administration "will take a tough stand toward Japan in trade policy (and) taxation on foreign firms in the United States," says Gaiishi Hiraiwa, leader of Japan's most powerful business group, the Federation of Economic Organizations.

But business insiders aren't panicking about what Clinton might do. "We're making a fuss about Clinton's policies all right, but it's not a big fuss, just a small fuss," says Tamotsu

Harada, an Electronic Industries Association of Japan official.

Some say Clinton could be no worse for Japan than President Bush, who in the eyes of many Japanese lost credibility as a free-trade proponent when he visited last January with an entourage of American businessmen and pressured Japanese companies to set targets for auto and auto-parts imports.

But most encouraging for Japan are the signs of an American economic recovery.

"Japan-bashing happens only when US firms are in trouble and go crying for help from Congress," says Hirokazu Hasegawa, an auto analyst at the Nomura Research Institute.

Although Japan's recession has dampened its imports, business leaders say the downturn is an acceptable excuse for less-than-expected results in improving the trade imbalance.

"I believe that the only way US-Japan relations can improve is for America to become strong," Yukio Okamoto, a former Foreign Ministry official, says in an article in this month's issue of Gaiko Forum, a ministry publication. "That's why I say Japan should help the United States become strong."

Officials say Japanese help for the US economy also offers a chance for gaining diplomatic leverage.

A senior Foreign Minister official, writing in

the same magazine, used unusually forthright language in urging a more equal partnership with the United States. Yukio Sato, director-general of the North American Affairs Bureau, said Japan needs to change its image of making concessions only under foreign pressure.

Many Americans, including Clinton, he said, now "see Japan as a great power standing on an equal footing."

Sato said America's ailing economy and social problems have led many Japanese to begin questioning the credibility of American leadership in international affairs. Tokyo should speak out to the Clinton administration, which offers the perfect opportunity to forge a new partnership," he said.

There are other signs that Japan is attempting to take more initiative:

A Foreign Ministry panel in December proposed a bill that would allow retaliation against the United States for actions seen as a violation of multilateral trade rules. The bill would be aimed at discouraging a re-enactment of "Super 301," a US trade law clause that punishes nations found practicing unfair trade.

Tokyo was speedy in announcing and extension of a voluntary limit on auto exports to the United States for the coming fiscal year. Some analysts said the decision last week to keep the ceiling at 1.65 million cars was intended to

per-empt any demands for a lower limit from the Clinton administration.

Japan has begun to openly criticise Washington for not doing enough to correct US problems, including the budget deficit, or fulfill pledges made in talks on structural trade issues.

It remains to be seen how much of Tokyo's talk of taking initiative will end up as reality. Japan's past record offers little reason for optimism.

Governing party lawmakers have been talking for more than a year on the need to lift Japan's ban on rice imports, which has become a symbol of unfair trade.

But as the Uruguay Round of international trade talks drags on, Tokyo has continued to wait for the United States and Europe to reach agreement on farm trade and taken no action.

What is plainly different this time, however, is the growing recognition that reacting to foreign pressure, begrudgingly and belatedly, is no longer enough.

"A nation that is always waiting for America to respond before making decisions is certainly not worth consulting as a partner," said an editorial Wednesday in the national Asahi newspaper. "Let's stop labeling every request and demand from the United States as 'pressure.'"

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## Dollar tumbles, stocks mixed in Tokyo

TOKYO, Jan 14: Share prices on the Tokyo Stock Exchange were mixed Thursday morning, while the US dollar was lower against the Japanese yen, reports AP.

On the stock exchange, the 225-issue Nikkei Stock Average gained 2.51 points, or 0.02 per cent, to close the morning session at 16,520.42 points. The Nikkei fell nearly 70 points in the morning before reversing the fall toward the end of the session.

The Tokyo Stock Price Index of all issues listed on the first section, which shed 10.52 points Wednesday, fell 2.30 points, or 0.18 per cent, to 1,260.16 points.

The pessimism that has dominated the market recently worsened on data released late Wednesday that department store sales for December slid 11.2 per cent from the same month a year ago.

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