BRIEFS

Croatia, Slovenia join World Bank

WASHINGTON, Mar 27: Croatia and Slovenia have joined the World Bank, replacing Yugoslavia, the financial institution said. This brought membership of the World Bank, which is closely associated with the International Monetary Fund, to 174 countries. The two Balkan countries also replaced the now-dismantled Yugoslav republic at the International Development Association and the International Finance Corporation, the World Bank's two major subsidiaries, respects AFP.

Bid to streamline banking operation

TAIPEI, Mar 28: Taiwan lawmakers have passed a resolution demanding the Finance Ministry cell to scale down its holding in 14 banking and insurance institutions within the years, ministry officials said Tuesday. The resolution, passed by the parliament's joint committees on financial and economic affairs Monday to streamline operations of state-run banking institutions, was in line with the government privatisation policy, the officials said. The lawmakers urged the ministry to liquidate in one year its stakes in Chung Kuo Insurance Co Ltd, central trust of China, farmers' bank of China, Chiao Tung Bank and the export-import bank of the republic of China, they said, reports AFP.

Renault denies merger with Italy's Fiat

PARIS, Mar 27: The chairman of France's state-owned automaker Renault denied in an interview published Friday that the firm will merge with Italy's Fiat to become Europe's largest carmaker. Louis Schewettzer was quoted by the conservative daily Le Figaro as saying that he had never been approached by Fiat about taking a 40 per cent stake via a capital increase, as has been reported. We were never asked about it. And it's not my principle subject for reflection right now," Schweitzer was quoted as saying, reports AP.

Stress on France-EC negotiations

PARIS, Mar 28: France must continue to negotiate with its European partners on world trade talks in an attempt to avoid a clash within the European Community, an advise to French President Francois Mitterrand said on Monday. "We will continue to negotiate with member states being isolated, like Don Quizote, is all very well. But we cannot remain all alone in a void," he told Rueters. He expressed concern over comments on Friday by Jacques Chairac, whose party led in the first round of parliamentary elections, about a showdown with the United States on world trade talks, even if that created a crisis within Europe, reports Reuter.

US auto makers to boost production

NEW YORK, Mar, 27: US auto makers plan to boost second-quarter output 11.1 per cent compared with the year-ago period, the Wall Street reported yesterday. Passenger car sales are edging upward and sales of minivans, sport-utility vehicles and pickup tricks are brisk. Meanwhile, consumer confidence measures are generally better than a year ago. "The foundation looks in place for a sustainable but moderate recovery," said to analyst Bernard Champbell. But auto analysts caution that if the seasonally adjusted annualised selling pace of US-built vehicles doesn't pick up in the next couple of months, second-quarter production plans could at risk, reports Xinhua.

Stock market moves lower in NY

NEW YORK, Mar 27: The New York stock market moved lower yesterday with the down Jones industrial average falling 21.34 points to 3,439.98. Analysts said the market was pushed downward by a steep drop in bond prices. The 30-year bond was down 10.63 dollar for 1,000 dollar valuation and yielding 6.93 per cent. The fall was attributed to technical reasons and fear of rising interest rates. The stock market generally views inflationary data negatively, since it raises corporate costs and could lower profits, reports Xinhua.

Curious investments turn up in new China

HONG KONG: Perhaps the image most people have of development in China is a factory — a large one, not very comfortably furnished, and staffed by thousands of young ladies sewing garments and fitting electronic gadgets together.

This scene appears on TV whenever China trade is mentioned.

In fact, foreign investment in China is far more varied. There are some curious projects which will surprise many people.

Would you believed that a top-luxury retailer is busy setting up a whole chain of shops — in a country which is supposed to be still at a low level of utilitarian living?

A look through a pile of recently-announced plans reveals that the following are going ahead in many different places in China:

Among the factories, South Korea's Pohang steel giant is joining with the Shanghai city authorities to build a smart new tinplate mill for food and beverage cans, as the people turn more and more to modern processed foods. Using even finer steel, the famous Gillette company is moving into Shanghai to expand and modernise production of razors and blades.

Away west in Sichuan province, Hong Kong's China Paint Company is investing in the equipping of a large paint factory. In Shenzhen, just north of Hong Kong, the World Bank's private-lending "sister," the International Finance Corporation, is lending 16 million US dollar to build a bicycle factory — it will be the world's largest.

In Xinjiang province, in the mountainous area of the Silk Road country, a company called President Foods has a tomato-canning factory in Urumchi. It also makes noodles in Beijing, flour in Fujian and animal feeds in Shanghai. Surprise, surprise: President Foods is from Taiwan.

There is a massive tally of new retailing projects, being funded by foreign companies. Goldlion, a shirt and tie maker in Hong Kong, is building a 4,000-plus square metre commercial complex in Harbin, away up in the northern Machurian lands, and a part of it will be a swank Goldlion shop, of course.

But for super-swank, take the case of Dickson Poon, a Hong Kong man who has built up a luxury store chain so powerful that he has bought up the old French goldsmiths S T Dupont, and owns the Guy Laroche garment and the Charles Jordan footwear operations. Poon is developing a four-storey boutique complex for the emerging up-market customers of Shanghai.

Japan's upscale Seibu department store plans a big branch in Shenzhen, and the Shun Tak company (owned by Macau's casino boss Stanley Ho and famous for its Hong Kong-Macau jet ferries) is rebuilding and smartening a large department store in Wuhan in Central China.

But the biggest shopping mall in China will be a giant in Beijing which will have literally hundreds of shops, a cinema, ten restaurants and a theatre. The developers are expected to include such property kings as Sun Hung Kai, the Cheung Kong group and the Kuok family interests, all familiar to Southeast Asian property promoters. Cheung Kong and the Kuoks are also building a giant commercial centre near Shanghai's railway station.

The convenience store or mini-supermarket is coming to China. The Dah Chong Hong group, best known for its car sales and repair organisation, plans a chain of such outlets across the country, as well as a chain of motor-repair shops to serve the number of private cars which is just beginning to soar.

The Swiss food colossus Nestle is joining Hong Kong's Dairy Farm to develop ice cream and chilled foods in southern China. It already makes milk foods in Manchuria and instant coffee in Guangdong.

But there is a sentimental story to tell for one company engaged in China investment. It is the story of the Kwok family of Wing On department store fame, which is returning to its old happy hunting ground. The Kwoks are Cantonese people who first emigrated to Australia earlier this century to farm and to sell in a small way.

But they struck it rich in the 1920s and 1930s when they travelled to Shanghai, established large retail, banking and insurance businesses, and participated in Shanghai's "golden age." They also set up Hong Kong's first department store.

In 1951, however, the communists drove all the private retailers out of the mainland, so the Kwoks have waited in Hong Kong a long time to return, but this time they are establishing a shop in Wuhan instead.

Some other, perhaps unexpected, projects are these:

A tiger-breeding farm to supply traditional folk medicines, for which China is requesting the support of the wildlife conservation funds.

A technology university in Shenzhen for 5,000 students, for which Hong Kong zillionaire Li Ka-shing is donating a sizeable sum.

World-class luxury marinas in Shanghai and Dalian, and the one in the latter city will also have a horse-race track and game-hunting facilities for the shotgun set.

All these plans assume that, within a very short time, China will have several million nouveau riche people, whose material standard of living will have increased several times over. But an uneasy question obtrudes: will the less well-off people then feel anger and envy, or admiration and emulation?

Thus far, it seems that the majority of Chinese people believe in the old Chinese proverb, "The tide raises all boats," and that all can share in the massive modernisations.

— Depthnews Asia

Educated youths face dimmer job prospect in Asia

MANILA, Mar 27: Educated young people have been facing a dimmer prospect of landing a job than the less-educated ones in many Asian countries because of irrational education systems, according to a regionwide study, reports Xinhua.

"Paradoxically, the jobless rate tended to be significantly higher among those with higher educational qualifications," said the study conducted by the Asian regional team for employment promotion.

Exceptions have been noted only in Japan and China in the study which also covered India, Pakistan, Thailand, the Philippines, and Indonesia.

In Indonesia, "youth unemployment rates increase consistently with the level of education," the study said.

In Shri Lanka, college graduates have to wait for three to five years before they could find a job.

Barriers to imports not responsible for trade gap, Japan tells US

TOKYO, Mar 27: Japanese officials on Wednesday rejected US President Bill Clinton's charges that barriers to imports are responsible for Tokyo's giant trade surplus, blaming instead a stalled domestic economy and a robust yen, reports Reuter.

"I don't support the idea that a closed Japanese market is responsible for the trade imbalance," said a Ministry of International Trade and Industry (MITI) official.

"Japan is considering stimulating its economy more because that is the road to respond to the trade imbalance."

Clinton, in one of his toughest speeches yet on trade ties with Tokyo, said on Tuesday that US companies had only a remote chance of fully penetrating Japan.

"The persistence of the surplus the Japanese enjoy with the United States, with the rest of the developed world, can only lead one to the conclusion that the possibility of obtaining real equal access to the Japanese market is somewhat remote," Clinton told his first full-scale presidential news conference.

Japan's trade surplus with the United States rose to 44.2 billion US dollar in 1992, up from 37.7 billion in 1991 but below the record 52.1 billion US dollar hit in 1987.

Japanese officials said Clinton, whose administration is now reviewing its policy toward Japan, must be aware that one of the major factors determining the trade imbalance is an economic slowdown in Japan which has dampened demand for imports.

"We are not in a position to deny that there are some elements of market access problems, but if one puts those issues in perspective, in terms of numbers vis-a-vis the trade figures, they are negligible," a Foreign Ministry official said.

"Japan will make continued efforts in macro-economic policy to expand domestic demand as well as market opening measures and structural change," he added.

Japanese bureaucrats and politicians are now crafting a huge government spending package which could total as much as 20 trillion yen (172 billion US dollar) — the largest fiscal pump priming package undertaken here — to rescue the economy from the doldrums.

That, economists say, means the dollar value of exports has risen even though volume is expanding more slowly, although eventually a strong yen in theory reduces the value of exports by dampening foreign appetite for expensive Japanese goods.

A comment by Clinton attacking republican George Bush's administration for its decision not to slap high tariffs on Japanese mini-van imports prompted the Japanese trade official to reiterate Tokyo's intent to complain to a world trade body should Washington raise the tariffs unilaterally.

The US Treasury Department is reviewing an industry request to reclassify the popular vehicles as trucks. That would boost the tariff to 25 per cent.

Clinton proposes to cut defence spending to $263.4b

WASHINGTON, Mar 27: President Bill Clinton is proposing to cut US defence spending to 263.4 billion dollar for next year in his drive to slash the federal deficit and reduce the post-Cold War military, according to Defence and Congressional sources, reports Reuter.

The sources, who asked not to be identified, told Reuters on Friday the fiscal 1994 US defence budget for the year beginning next October 1 would cut troop strength by 108,000; retire 30 navy ships and cut over 140 air force planes.

Clinton's military authorisation proposal, which requires approval by Congress, will be unveiled today by Defence Secretary Les Aspin at a news conference.

Japan govt urged to control high tech export

TOKYO, Mar 27: Japan's International Trade and Industry Ministry urged the government Thursday to tighten controls on high-technology exports to both communist and formerly communist countries to prevent regional disputes, reports AFP.

The ministry said Japan should extend the range of sensitive products whose export to certain countries was already restricted by the Paris-based Coordinating Committee for Multilateral Export Controls (COCOM). The ministry also wants the government to expand the number of blacklisted countries.

"We need further restrictions on arms-related exports," said Takashi Suzuki, Director of the ministry's export division.

"The political situation in many communist nations is getting worse following the collapse of the former Soviet Union," he told a news conference.

The ministry also wants Japan to support international efforts to prevent the proliferation of weapons and cooperate with countries that have made additions to their lists of controlled items.

The ministry and the government will soon start specifying additional items and countries and enforce the new regulations later this year, officials said.

Suzuki denied reports that the recommendations were aimed at further restricting exports to North Korea, notably in the fields of machinery, chemicals and electrical appliances.

The ministry said it would also urge the government to urge Asia and the former Soviet Union to take part in talks on multilateral export controls.

Unemployment, poverty increasing worldwide, says ILO

GENEVA, Mar 27: Unemployment and poverty are on the increase worldwide according to the International Labour Organisation's (ILO) annual report, which this year presents a disturbing portrait of the situation of workers around the world, reports USIS.

The 1993 World Labour Report treats issues ranging from modernday slavery to new challenges facing the trade unions.

And it defines work-related stress as "one of the most serious health issues of the 20th Century."

According to the report the overall employment picture remains bleak. Industrial market economies are "taking a long time to emerge from recession." Although employment did increase in 1992 in Japan, the United States and some European countries, these gains were offset by substantial job losses in Germany, the United Kingdom, Spain, Switzerland and the Scandinavian countries. Thirty-three million people remain out of work in the industrial market economies. Most of the job losses continue to be in construction and manufacturing, but recently the shakeout of jobs has spread across a wide range of services and white collar occupations.

The only bright spot on the international employment scene is in Asia. Although growth in the Asia-Pacific region has slowed somewhat since 1988, it still has some of the world's most dynamic economies. "For the newly Industrialising Economies of the region the problem at present is not unemployment but labour shortage — a deficit which is being met by migration, official and unofficial, from the poorer countries in the region," says the report.

Rising unemployment in the Organisation for Economic Cooperation and Development countries has held wage increases in check. The report notes that wage growth slowed most in North America, Scandinavia and Australia.

The competitive realities of the 1990's have brought new challenges for trade unions and increased the pressures on social security systems, especially in the developing countries. "In labour relations, there is no doubt that employers are on the offensive and the workers are on the defensive," said the report's editor, Dutch economist Wouter van Ginneken at a March 22 press conference.

Asked how the current economic crisis compared with the Great Depression of the 1930's, Van Ginneken said three developments favoured the current situation: greater policy coordination between nations, a more widespread social security net and the liberalisation of international trade. He argued that last advantage would be lost if the Uruguay Round of international trade talks failed.

Van Ginneken added that one factor had the potential to make today's crisis more serious than that of the 1930s: international migration. Describing the differences in labour costs between the developed and developing world as "untenable in the long run," he warned that the West would not be able to maintain the prosperity it was accustomed to unless there was an equalisation of wages.

The increase in international competition has resulted in greater stress in the workplace.

EC team visits Russia to support economic reforms

MOSCOW, Mar 27: A high-ranking delegation from the European Community headed for Moscow on Friday in a show of support for Russia's economic and political reforms, reports AP.

The visit comes mid Russia's political crisis since the collapse of communism in 1991. President Boris Yeltsin on Friday confronted a hostile Congress opposed to his reforms and divided about whether to try to remove him from office.

The four-man EC delegation was scheduled to meet Saturday with Foreign Minister Andrei Kozyrev, said Svend Boje Madsen, minister-counselor for the Danish Embassy.

The delegation consists of Danish Foreign Minister Niels Helveg Petersen; British Foreign Office Minister Douglas Hogg; Belgium Foreign Minister Willy Claes and a European Community commissioner for external political relations, Hans ven den Broek.

Meet to improve lot of 200 million poor this week

WASHINGTON, Mar 27: Western Hemispher finance ministers will attend an Inter-American Development Bank (IADB) meeting in Hamburg this week to discuss ways to improve the plight of the region's nearly 200 million poor, reports Reuter.

"We will be taking to Hamburg ... concrete proposals on poverty and social reform," IADB President Enrioue Iglesias said in a recent interview.

"Latin America has few resources to address many needs, so it must spend carefully what little it has," Iglesias said.

The 34th annual meeting of the bank, which has become the biggest single lender to the area, will open formally on Sunday but the main session will be proceeded by other seminar.

Hamburg will also provide a forum for governments and creditor banks to discuss debt-rescheduling and other deals.

Financially-strapped Ecuador has said it will seek a pact that ensures it make only limited payments on its 6.5 billion dollar commercial debt. But bankers demand resumption of interest payments before discussing any deal.

Brazil earlier this month struck an agreement in principle with banks to reschedule 44 billion dollar in commercial debt.

For the IADB, which is 1992 approved 6 billion dollar in loans to countries in the region, this meeting is crucial as it is time to replenish its coffers.

Iglesias said in the interview he expects commitments of between 30 billion dollar and 40 billion dollar for 1994-1997, compared with its current 22.5 billion dollar four-year budget.

Britain's govt encouraging defence contractors to diversify

Britain's Conservative government says it is encouraging defence contractors to diversify. But with its continued emphasis on weapons exports to the Middle East and Africa, it appears to be creating jobs at home by fuelling regions of conflict. With thousands of jobs at stake due to declining orders, Gemini News Service reports, British weapons makers are finding it easier to export than to transform their companies to a civilian role.

Since the end of the Cold War, and the accompanying reduced demand for weapons from Western governments, many military economists expected that Western nations would be moving into a post-military economy.

British government officials warned they would be slashing their defence budgets, so weapons makers would have to diversify, using their engineering skills to develop more commercial applications.

With reduced orders from their national governments, hundreds of thousands of defence-related jobs are at stake. And merely proclaiming "diversify" doesn't make it so.

Saudi Arabia recently announced that after long negotiations with the British government it had agreed to buy about £5 billion worth of military equipment, including 48 Tornado aircraft, in one of the largest export orders ever won by Britain.

In making the announcement, British government officials hastened to mention it would save 19,000 jobs at British Aerospace, which has already laid off thousands and suffered losses due to declining defence orders.

Other companies to benefit from the order include electronics firm GEC-Marconi and engine maker Rolls-Royce. Hence, it appears, the British government would much rather help defence contractors sell their weapons abroad than help them diversify.

In the wake of the huge deal, there was renewed enthusiasm for further exports to the Middle East. Most notably, British defence supplier Vickers won an order for 40 tanks worth £150 million from Oman and was believed to have good prospects for large orders from Saudi Arabia and the United Arab Emirates. However, the United Arab Emirates sale, worth £3.5 billion, eventually went to the French state-owned GIAT Industries.

British economist John Lovering says the British government is paying mere lip-services to the concept of diversification. Taking the idea seriously would mean the government would have to adopt an industrial strategy — it would have to impose controls on both the supply and the demand side of the economy — and that, is a notion the government is decidedly against.

Lovering adds: "Every year, the government makes some comment like, 'it would be a good idea for defence contractors to diversify,' but they always follow that by saying it's no business of the British government to interfere with market forces."

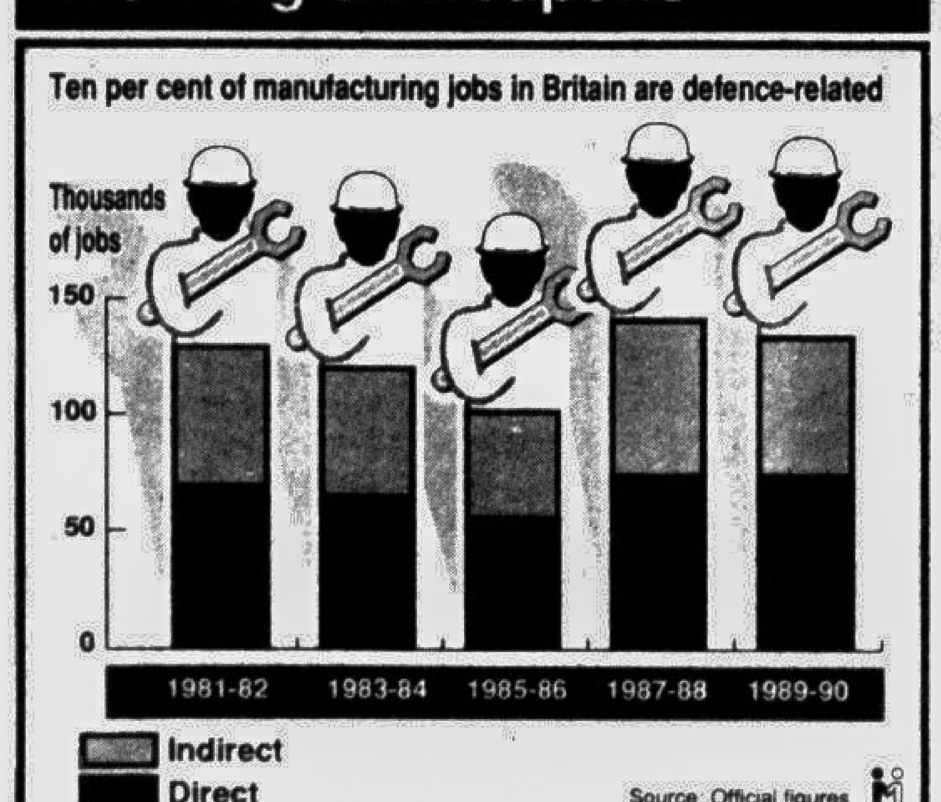
While the government remains firm in its conviction not to confuse defence policy with industrial strategy, it is left paying for British jobs by fuelling regions of conflict. Of the £1,862 million worth of military hardware British makers sold in 1991, some 62 per cent or £1,156 million was exported to the Middle East and North Africa, both heavily embroiled in conflicts.

And the number of British jobs dependent on military exports is on the rise, according to British government figures. Although the number of jobs dependent on British government defence equipment spending fell from 360,000 in 1985, to 255,000 in 1990, jobs tied to exports rose by nearly 14 per cent during that same period, from 110,000 to 125,000.

By helping arms producers sell their weapons abroad, the British government is exercising a form, of industrial strategy. Numerous studies indicate that if jobs were the government's No 1 concern, money could be better spent elsewhere.

A 1982 study by the Institute for Employment Research at the University of Warwick reports that each £1 billion in government money spent on defence creates 20,000 jobs. But the same amount, spent on health care, creates 87,000 positions, while £1 billion spent on education creates nearly 120,000 jobs.

Working on weapons



Some economists believe that the high unit costs involved in defence production make it one of the least economical ways of creating jobs. However, if firms can also sell their weapons to other countries, they can increase their production runs and thus generate more work. In fact, one of the British government's stated reasons for encouraging arms exports is that these sales provide longer production runs.

Britain, like other Western governments, has had no trouble promoting defence policy as an industrial strategy when it suited the government to do so. Following World War Two, when Western governments were stockpiling technologically sophisticated weaponry, they argued that defence production would create an industrial base from which spin-off technologies would emerge. Weapons makers, the government argued, would use their engineering expertise to develop a broad range of useful, non-military products.

But it is not that simple. "Part of the problem is that defence technology is very specific," says Malcolm Chalmers, a lecturer at the Department of Peace Studies at the University of Bristol. "The other part of the problem is that weapons makers are used to working for a single customer — the government. Their whole culture is geared for one thing — lobbying the government — and they don't know how to develop a range of products for a wider market."

John Lovering adds that the British government's stated reluctance to interfere with market forces in order to help weapons makers diversify, ignores the fact that a government policy encouraged defence production in the first place. In a recent article published by the Bertrand Russell Peace Foundation, Lovering writes "just as the military industrial complex was created by planning, so it needs to be dismantled ... by planning."

Outside of such planning, and left solely to market forces, defence contractors will do what makes economic sense. They are not going to diversify just because the government, or the disarmament groups, tell them it would be a nice idea. "Companies do what they do because it is more profitable than the foreseeable alternatives," writes Lovering.

Lovering finds it distressing that the government remains so "seriously uninterested" in helping British firms diversify. But he is somewhat encouraged by actions in the United States. There, New York Democratic congressman Ted Weiss has introduced a bill known as the "conversion law" which would, among other things, make it law that every defence contractor employing 100 people or more must set up an "alternative use committee."

The committee would have to include members from both management and labour, who would be responsible for drafting concrete plans for non-defence-related public projects of national concern, such as transportation, housing, or environmental protection projects.

Such national programmes are a start, writes Lovering. But since the arms trade is itself an international business, governments should band together to draft international policies to help the defence industry diversify.

"Far too often," Lovering writes, "conversion advocates assume the industry is still what it was in the 1950s — something the national government itself already controls. As the defence industry goes international, so must policy too."

What Lovering is really calling for is an international understanding that economic decisions must be demilitarised. But he does not think this is likely. What the post-military economy really means, he writes, is that the Western arms industry is "contracting or getting rid of Cold War-type excess and restructuring to serve niche markets, which will continue to grow."

And, judging by the recent Britain-Saudi Arabia arms deal, Britain is happy to continue supplying these niche markets.

— Gemini News