

US economists, ex-officials caution

Clinton's policies may spark trade wars

TOKYO, Apr 27: US President Bill Clinton's tough trade policies could spark trade wars, prominent US economists and former officials told a seminar here, reports AFP.

"We must now fear an outbreak of trade wars," warned Harald Malmgren, a former deputy special representative for trade negotiations, confirming the worst fears of Japanese policymakers.

Malmgren, speaking at a seminar on the Group of Seven (G7) economies and the world trading system, predicted growing debate among US and European officials on managing the large trade surpluses of Asian economies.

The focus of much of this new 'management' will be on East Asia, including Japan, Taiwan, Korea and other strong performers, he said.

While acknowledging the possibility of an open trade conflict between the United States and the European Com-

munity (EC), Malmgren said he was "more worried" about US-EC trade relations with Tokyo. "If the US confronts Japan, the EC will probably follow the US lead. At present, there seems to be a growing sentiment in Washington that Japan will not show flexibility and alter its policies without a 'show of force' by its major trading partners," he said.

Lionel Olmer, a former under secretary of commerce, said evidence is scarce "that the Clinton administration is aware of the importance of ties between Washington and Tokyo. Recent signs are most disturbing," he said.

With the demise of the Soviet union and eastern Europe, and the likelihood that China will be given Most Favoured Nation trading status, "there will be a need for a new enemy," he said.

It would be "disastrous if Japan caved into it," he said. Robert Zoellick, a former

White House deputy chief of staff under former president George Bush, said the Clinton



Clinton: threatening a dangerous path on trade issues

administration was being "pushed by people who are frustrated by the situation" with Japan's huge trade surplus.

"It's a very fragile situation," he said, noting the administration was being encouraged by others with complaints against Japan, such as South Korea, the EC and the six-nation Association of South East Asian Nations (ASEAN).

ASEAN groups Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Peter Wallison, a former treasury official, warned that the new administration would adopt "a much more aggressive trade policy" in the coming year, highlighted by a protectionist position.

The Democrats will fail to have the economic achievements they wanted because the economy is already in decline," he said.

David Hale, senior vice president and chief economist at Kemper financial Co, told a news conference after the

seminar that there was "no doubt" that the Clinton administration "views Japan as an alternative form of capitalism."

The United States should try to increase investment by US companies in Japan rather than promote managed trade, he said.

Robert Hormats, a former assistant secretary of state who is now vice chairman of Goldman Sachs International called on Japan to take the initiative against protectionist policies at this year's G7 summit in Tokyo in July.

"Japan has a golden opportunity in taking the lead," he said, warning that the consequences of deteriorating trade relations would be "very harmful", especially for eastern European, Latin American and Asian economies.

Leaders of the world's seven richest industrialised powers — Britain, Canada, France, Germany, Italy, Japan and the United States — are to meet in Tokyo on July 7-9.

BRIEFS

Iraqi dinar picks up after crashing BAGHDAD, Apr 27: The Iraqi dinar picked up here after crashing in the past two days to 95 to the US dollar, its lowest level yet. The dollar fetched about 70 dinar in the Baghdad black market on Monday. Traders said it recovered when the government decided without announcement to stop buying dollar needed for imports. Some traders said the dinar would eventually sink further because the government could not hold off buying dollar forever, says Reuter.

UK's GDP rises by 0.2 pc in '93

LONDON, Apr 27: Britain's gross domestic product rose by 0.2 per cent in the first quarter of 1993 from the previous quarter, after allowing for seasonal variations, the central statistics office said Monday. It was the second successive increase in GDP which therefore officially marked the ending of a recession lasting more than two years. Analysts had predicted an increase of 0.4 per cent. Chancellor of the Exchequer Norman Lamont welcomed the latest figure as evidence that economic recovery was reaching into all sectors, reports AFP.

Dollar up, stocks firm in Tokyo

TOKYO, Apr 27: The US dollar edged higher against the Japanese yen in morning trading Tuesday, while share prices on the Tokyo Stock Exchange firmed. The dollar was quoted in late morning trading at 110.67 yen, up 0.12 yen from Monday's close and also higher than its overnight New York close of 110.60 yen. The dollar has advanced against the yen in the last few trading days as world leaders continued to tone down their recent support for a stronger Japanese currency, says AP.

Sales of US homes drop by 2.9 pc in Mar

WASHINGTON, Apr 27: Sales of previously owned US homes dropped 2.9 per cent in March, the third straight month of declines caused by severe weather, a real estate trade group said Monday. Sales fell in every region except the Midwest. The National Association of Realtors said sales of previously owned homes totalled 3.36 million at a seasonally adjusted annual rate in March, down from 3.46 million a month earlier, says AP.

Manila, IMF set new round of talks

MANILA, Apr 27: The government and the International Monetary Fund agreed Monday to hold a new round of talks next month on an economic programme after failing to reconcile differences over Manila's revenue targets, officials said. But Finance Secretary Ramon del Rosario said he was optimistic the third round of talks in May would be the last and the programme will be in place by July, instead of June, the earlier target date, says AP.

Canada to back Chile if it joins NAFTA

SANTIAGO, Apr 27: Canada would back Chile if it decides it wants to join the North American Free Trade Agreement (NAFTA), Canadian Trade Minister Michael Wilson said. Wilson, on a five-day official visit to Chile, told reporters after a meeting with finance minister Alejandro Foxley that Canada had always backed an expansion of NAFTA. Canada's current challenge was to get the agreement, which also includes Mexico and the United States, approved in its own parliament, Wilson said, says Reuter.

Economic overheating a risk for China

WASHINGTON, Apr 27: The rise in economic activity in 1991 and 1992 in China has led to a renewed risk of overheating that could hurt the country's efforts at reform, the International Monetary Fund said. "The marked rise in economic activity in 1991-92... has led to a renewed risk of overheating that, if not contained, could lead to macro-economic instability and could jeopardise the reform process," the IMF said in its semi-annual world economic outlook, says Reuter.

Chinese company for listing HK stock

BEIJING, Apr 27: China's largest offset press-maker hopes to gain a listing on the Hong Kong stock exchange by June or July, the official China Daily reported Monday, says AP.

Further medium-term efforts needed to reduce US budget gap: IMF

WASHINGTON, Apr 27: President Bill Clinton's administration has made a considerable effort to reduce the federal budget deficit, but additional steps are needed in the medium run, according to the IMF's world economic outlook report, says AFP.

Slashing the deficit and boosting the rate of savings and investment are "the most pressing priority" of US economic policy, according to the International Monetary Fund's semi-annual report.

The economic recovery appears to have taken hold — the IMF forecasts 3.2 per cent

growth for 1993 and 1994 — and "short-term stimulus is now less necessary than it might have appeared earlier."

Congress last week rejected a 12-billion-dollar economic stimulus package Clinton had sought.

The administration should "forego short-term fiscal stimulus and implement a medium-term deficit reduction package to reduce the structural deficit by about twice as much over the medium term as envisaged in the economic plan presented in February," the IMF said.

That plan calls for a deficit

of 241 billion dollar in 1998 — 146 billion dollar less than the 387 billion dollar the deficit would hit if no deficit reduction steps were taken.

Clinton's deficit paring plan is significant "but its full enactment and implementation could still leave the structural federal fiscal deficit in FY 1998 at about three per cent of GDP, that is, at the same level as in the late 1980s. Thus further action is needed to ensure an adequate degree of fiscal consolidation over the medium term," the report said.

In addition, "as the economy gathers momentum, the

authorities may need to allow monetary conditions to tighten in order to avoid any resurgence of inflationary pressures," the IMF report said.

"But if the ongoing efforts of the administration to secure a significant package of deficit reduction measures run into difficulties, confidence could be adversely affected and the recent decline in long-term interest rates might be reversed."

"Under such circumstances, growth could again falter in 1994 and this might hinder further deficit reduction efforts," the report said.

Economic prospects of developing states encouraging

WASHINGTON, Apr 27: The International Monetary Fund said medium-term prospects for economic growth in the world's poor countries may be better than they have been in decades, reports Reuter.

The IMF said the upbeat assessment reflected the fact that and increasing number of developing countries were pursuing policies aimed at achieving economic stability.

The medium-term prospects for developing countries are encouraging, perhaps more so than they have been in decades, the IMF's world economic outlook said.

The IMF said developing economies were likely to grow by five per cent this year and next, only slightly below the six per cent seen in 1992 when there was a strong Middle East recovery.

In the medium-term, economic growth is likely to be considerably faster than in the 10 years to 1992, the IMF said. Provided the right policies are followed, output may grow at an average rate of 5.75 per cent between 1995 and 1998.

The report said a dramatic rise in economic growth in China boosted output throughout Asia last year. Healthy financial policies and reforms in

Bangladesh, India and Pakistan also contributed to the region's robust growth.

Economic conditions remain buoyant in the fastest-growing Asian countries, the IMF said. But it warned that capacity constraints and overheating could lead to policies of financial restraint in several nations. Rates of expansion in 1993/94 are projected to average 6.75 per cent, the report said. That follows growth of nearly eight per cent last year.

The IMF said economic problems in Brazil were mainly to blame for a slowdown in Latin America. However, sound

policies and sustained efforts towards reform had led to significant improvements in economic performance of several countries, including Argentina, Chile, Uruguay and Venezuela.

Because of uncertainties about the outlook for Brazil, growth in the region was likely to average only 2.5 per cent in 1993 and 1994, virtually unchanged from last year. Excluding Brazil, Latin American growth averaged 4.0 per cent in 1992.

Developing nations '92 also seemed to have put the decade long debt crisis behind them.

Arabs to import steel if fail to boost output

ABU DHABI, Apr 27: Arab countries may have to import 30 million tonnes of steel by 2000 unless they can sharply boost their own production, a Qatari official was quoted as saying, says an AFP report.

Arab steel production is increasing, but it "does not match Arab needs," Qatari Electricity and Water Minister Ahmad Ali Al-Subai told the Arab Steel Union (ASU) on Sunday, according to the Qatari news agency monitored here.

A report by the Abu Dhabi-based Arab Monetary fund showed steel production in the Arab world stood at around 16 million tonnes a year and it could rise by eight million tonnes a year when current expansions are completed. But

it said the level accounted for less than 50 per cent of regional demand.

Algeria is the biggest Arab steel producer, with an output of around 3.5 million tonnes a year, followed by Saudi Arabia, which produces about 2.8 million tonnes a year. Egypt, Morocco and Qatar are also major steel producers, with a combined output of around 3.5 million tonnes.

"The capacity does not match the large reserves and the significance of iron production in the development of Arab industries," the report said.

Economists said demand was growing fastest in the oil-rich Gulf, where the end of the war has triggered a business upturn and attracted many firms.



SEOUL: Kim Chong-Ho, former navy chief of operations, appears at the Prosecutor General's office Apr 26 for questioning over allegations of taking bribes from navy officials during his tenure in exchange for promotions.

—AFP/UNB photo

G-7 Thursday meet to talk exchange rate

TOKYO, Apr 27: Foreign exchange rates will be a topic at the meeting of Group of Seven (G7) finance ministers and central bank governors in Washington on Thursday, Finance Minister Yoshiro Hayashi said, reports Reuter.

Hayashi told a news conference that Japan's stance on currencies remains unchanged. He has repeatedly said that currencies must move in a stable manner reflecting economic fundamentals.

He said Japan is unlikely to face pressure from other G-7 nations to ease its grip on credit at the Washington meeting.

Referring to a report released by the International Monetary Fund (IMF) which predicted Japan's economy will grow 1.3 per cent in calendar 1993, Hayashi said the report might not have fully discounted the effects of a 13.2 trillion yen economic package unveiled earlier this month.

US for changes in EBRD's operations

LONDON, Apr 27: The United States on Monday demanded changes in the operations of the European Bank for Reconstruction and Development (EBRD) which has so far spent more money on its headquarters than on helping the nations of Eastern Europe, says AP.

"We expect institutions to which we have entrusted public money to use this money wisely and have thus we have joined with other members in asking for a review of expenditures and tighter budget controls within the bank," Deputy US Treasury Secretary Roger Altman said at the bank's annual meeting.

"We are sure that Mr Attali and the bank understand the importance of taking organizational steps in response to these problems."

"The bank must now go about its task — in the most cost-effective way possible — ensuring value for taxpayers' money," Major said.

Jacques Attali, the bank's president, admitted at a news conference last week that mistakes had been made.

Millions were spent outfitting the bank's opulent headquarters in central London, where workers ripped out existing marble and replaced it with a fancier type, as well as on expensive entertainment and private planes for Attali.

Prince Naruhito's wedding security to cost \$16m

TOKYO, Apr 27: Japan will set aside 1.72 billion yen (16 million dollar) for security costs and an anti-terrorist campaign for the June 9 wedding of Crown Prince Naruhito, news reports said on Monday, according to Reuter.

Finance officials approved the hefty budget, to be covered by reserve funds set aside for emergency use, in a meeting on Monday, according to agency and television news reports.

Government officials were not available for comment. Last week, the government approved a 335 million yen (3 million dollar) budget to lay on a lavish wedding for 33-year-old Naruhito and his fiancée, former career diplomat Masako Owada.

Security costs will take precedent over those of the actual wedding because of concerns about attacks by anti-imperial radicals. Police suspect extreme left-wing groups were responsible for a weekend attack aimed indirectly at the imperial family. Structures at four temple complexes in the ancient capital of Kyoto, all with strong links to the imperial family, were destroyed or damaged by fires set on Sunday.

Authorities mobilised 4,700 uniformed police and numerous plainclothes officers to guard Emperor Akihito and Empress Michiko, parents of the Crown Prince, during a four-day visit to the southern island of Okinawa following terrorist threats.

The Emperor and Empress returned to Tokyo later on Monday without incident.



Naruhito and Owada: awaiting billion yen royal marriage

Further rise of yen may backfire: IMF official

WASHINGTON, Apr 27: A further significant appreciation of the Japanese yen against the US dollar could be counterproductive to economic recovery in Japan, according to Michael Mussa, director of the International Monetary Fund's (IMF) Research Department, reports USIS.

"At this stage, it would appear that further strengthening of the yen wouldn't be helpful to the Japanese economy," Mussa told reporters April 26.

Mussa's comments come at the start of the semi-annual meetings of the IMF and World Bank and just a few days before the finance ministers of the major industrial countries are scheduled to meet in Washington April 29.

The yen too quickly doesn't help anyone because it undermines recovery in Japan, which is needed to help boost global growth, Mussa said.

"The strength of the yen can be attributed in part to implications of the growing Japanese external current account surplus," the IMF said in its semiannual World Economic Outlook report also released April 26.

The Fund projects Japan's surplus climbing from 73,000 million dollar in 1991 to 137,000 million dollar in 1993, then declining slightly to 128,000 million dollar in 1994.

Mussa explained that the yen's appreciation has both positive and negative consequences for the Japanese economy.

Chinese can now trade on foreign exchange

BEIJING, Apr 27: China is legalising foreign exchange trading by individuals in an apparent bid to stem the black market and tap into 10 billion dollar worth of hard currency held by citizens, reports AFP.

The state administration of foreign exchange control has decided that any financial organisation authorised to deal in foreign exchange may trade currencies on behalf of individuals, the People's Daily said Monday.

"Because of strict state controls on foreign exchange, residents' foreign exchange has no investment channel except to go into bank accounts," the official newspaper said.

The decision did not represent a complete opening of currency markets as only individuals who hold foreign exchange already can participate

in the market, according to the administration's regulations.

Financial institutions' service charges will be limited to 0.25 per cent of the transactions, the newspaper said.

Individual foreign exchange savings have reached 10 billion dollar in China's banks and citizens are also holding "a large amount of foreign exchange" in cash, it said.

"In recent years, foreign currency owned by residents has increased rapidly along with the deepening of reform and exchange with foreign countries, rapid development of joint ventures and of tourism," it said.

Chinese individuals may now hold their hard currency legally in bank accounts or exchange it for Renminbi yuan at the state rate.

Globalisation of finance and its implications on Third World

An international colloquium was organised at the Maison des Sciences de l'Homme (MSH) in Paris on the 'Globalisation of Finance, Debt and Economic Reforms' in November. Generally speaking Globalisation of finance refers to the extension of finance-related activities from a national to a global setting (facilitated by technological advances), to the relative increase in these activities in relation to other sectors in the economy and to their growing proportion in world trade, reflected by the rapid growth of trade in the services sector, especially in the OECD (Organisation for Economic Cooperation and Development) countries.

The colloquium explored the causes for these recent developments as well as their impact on the world economy and on particular types of economies, including both developing and advanced industrialised economies. Among the related, but more narrowly defined themes addressed were the following: structural adjustment programmes, stock

markets in the developing countries, the debt crisis a decade later, and financial dimensions of reform in the former Soviet Union.

The growth of financial markets and financial fragility were explored specifically in the papers by Michel Aglietta (University of Paris X) and Sunanda Sen (Jawaharlal Nehru University, New Delhi). Both emphasised the magnitude of the structural changes that have occurred recently in the world economy and the inability, or unwillingness, of the state to regulate in the current context.

Based on empirical evidence, Sen traced the evolution of financial activities during the last two decades, including the changing pattern of financial flows, that is, the reversal of North-South flows, and qualitative changes in banking activities due in part to de-regulation in this sphere during the last decade.

Aglietta also examined de-regulation and forms of financial liberalisation, comparing

the systems of different countries over time, which he used to develop an explicative model. He explored the concept of systemic risk and underscored some of the challenges that policy-makers are facing.

By drawing on the theoretical literature, primarily Keynesian, post-Keynesian and Marxist, the authors in this session sought explanations but also pointed to the gaps. Seeing the recent expansion of international finance as symptomatic of the uneven development of capitalism, Laurence Harris (University of London) relativised its long-term importance, and proposed furthermore that because the world financial market is not unified, but highly segmented, there is room for countries to choose their own macro-economic policies.

A second major theme of the meeting was the debt crisis. The basic question being addressed was whether the crisis was over, as has been suggested in some quarters, and if so, from whose point of

view. The still heavy burden of the debt was emphasised by both Gerard de Bernis (University of Grenoble) and Otto Kreye (Starnberg Institute, Starnberg), whose papers dealt specifically with this question. It was pointed out that servicing the debt continues to hinder development efforts in the Third World, particularly the level of investment, leading both authors to the conclusion that debt repayment and development are incompatible.

The theme of debt spurred a lively debate and many interesting points were raised in the discussion, such as: the situation in some countries whereby private debt merges into public debt (Ignacy Sachs), the politics of debt relief and the co-optation of indebted country nationals (Richard Cooper, Amiya Bagchi), the long-term effects of indebtedness on a country, even when debt becomes 'manageable' (Ajit Singh), the co-responsibility of lenders and borrowers (Hans Singer)

and the many exogenous factors which the debtor countries do not control (Sunanda Sen).

Stock markets in the Third World was the theme of a thoughtful paper by Ajit Singh (University of Cambridge). The pros and cons of stock markets and their links to economic development, in theory and in practice, were explored. Singh finished on a precautionary note urging the developing countries, where stock markets are particularly volatile, to adopt appropriate institutions and regulations.

Financial institutions in the former Soviet Union, in the broader context of political and economic disintegration, formed the theme of one session. The numerous obstacles facing Russia and the CIS were recalled in papers by Lev Braginsky (University of Tel Aviv) and Jacques Sapir (Paris), including the lack of co-ordination of banking activities and of division of financial functions and the highly uncertain and delicate political

atmosphere prevailing.

The final theme that was discussed were the structural adjustment programmes of the World Bank. The switch, after 1980, from projects to Structural Adjustment Lending (SAL) programmes brought with it the need for new methods of appraisal and evaluation. John Toye (IDS), University of Sussex, who has worked extensively on this question, presented the methodological difficulties involved in their elaboration and examined the wider issues related to aid and conditionality.

It was generally felt that a greater portion of responsibility should be carried by the creditor countries than is now the case. Many of the participants underscored the asymmetry between the North and South, in power positions, in perceptions of obligation and in the weight of the burden carried. The declaration of the end of the debt crisis by some Western officials would seem to characterise these themes: Third World Network Features.

Clinton facing hurdles to win aid for Russia, economic plans

WASHINGTON, Apr 27: Budget director Leon Panetta says President Bill Clinton faces an uphill struggle in Congress to win aid for Russia and approval for key elements of his bettered economic plan, the Washington Post reported, says Reuter.

Panetta was also quoted as saying that the proposed trade agreement with Mexico and Canada is dead for now.

Panetta, Director of the Office of Management and Budget, added that he was urging Clinton to delay releasing his plan for overhauling the health care system because, even without it, the administration faces a serious challenge in passing the details of Clinton's budget proposals.

The optimism that came out of the November election and the Christmas shopping signified only a shadow recovery he said, adding: "I sense that confidence has diminished somewhat."