

Australia won't join any trade link against Japan

Vincent W Stove writes from Sydney

Australia is giving strong support to Japan in its trade dispute with the United States. The trade dispute is surfacing at a time when there is growing perception in Canberra and in Tokyo that the trade dependence of Asian nations on each other is increasing while their dependence on the US is decreasing.

There is strong support in Australia for the view that as its future trade direction is linked with Asia a close association with Japan is needed to make this happen.

Canberra has made it clear to Tokyo that Australia would never join a trading arrangement prejudicial to Japan's interests, and it expects Japan to adopt the same attitude.

The need for mutual trade support and regional trade promotion were the main topics discussed when Japanese Prime Minister Kiichi Miyazawa recently visited Australia.

Although trade between Australia and Japan was a cru-

cial subject in the bilateral talks, it was overshadowed by trade relations between Japan and the US.

The US wants Japan to buy more American goods to reduce the trade imbalance between the two countries. Washington is rapidly losing patience with Tokyo's seeming reluctance to "buy American."

Prime Minister Miyazawa and Australian Prime Minister Paul Keating rejected a proposal for "managed trade" between Japan and the United States — a Washington plan that would see Japan importing certain quantities of specific US goods. Some trade sanctions against Japanese goods would presumably result if Japan rejected the proposal.

Both leaders indicated that such an arrangement would frustrate the development of trade within the Pacific environment and hinder the promotion of a freer international trading system.

Trade observers here have

described the American demand as tantamount to trade blackmail — an action that would give the US privileged access to Japanese markets at the expense of other countries such as Australia.

Australia is concerned that if Japan buys more from the US, it will buy less from Australia. Particularly at risk are sales of Australian beef and coal.

In an address to the Australia/Japan Economic Institute Business Outlook Conference in Sydney last year, Australian Treasurer John Dawkins said that Australians "always get concerned when countries like the US 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 problems at our expense."

Canberra has made it clear to Tokyo that Australia would never join a trading arrangement prejudicial to Japan's interests. It expects Japan to adopt the same attitude.

Under American pressure, Japanese auto manufacturers have switched sourcing from an efficient and competitive factory in Australia to a US supplier, and in another instance have divided a previously exclusive arrangement into shared sourcing with a US supplier.

The Australian auto industry is important to the country's economy and employs a large slab of the workforce. It is also dominated by Japan. A higher proportion of Japanese autos is to be seen on roads in Australia than on the roads of any other country which also has a motor vehicle manufacturing industry.

Australia is the third largest supplier (along with Italy) of

auto parts to Japan, behind the US and Germany. It is ahead of France and Great Britain.

Toyota and Mitsubishi have manufacturing plants in Australia, along with General Motors and Ford of the US. Toyota also has a close alliance with General Motors in Australia, and Japan's Mazda has close ties with Ford Australia.

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

Australia is one of the few countries which have a trade surplus with Japan. And because of this, Australian observers feel the Americans are

not greatly concerned about Australia when they exert pressure on Japan to "buy American."

As Washington sees the the situation, Australia can afford to sell less to Japan and still maintain a healthy trade surplus, while the US only wants to reduce (and not necessarily eliminate) its massive trade deficit with Japan.

But Australian trade officials insist that any Japanese surrender to American pressure would not be in tune with the current international trend towards trade liberalisation.

Australian trade and foreign affairs officials were encouraged by the agreement of Prime Ministers Keating and Miyazawa that the 15-nation Asia Pacific Economic Cooperation (APEC) grouping offered the best opportunity for promoting a free trade environment in the region.

Australia was mainly responsible for the establishment of APEC in 1989. It has a wid-

espread membership — China, Taiwan, Hong Kong, Japan, Australia, New Zealand, Canada, the US, Thailand, Brunei, Singapore, Indonesia, Malaysia, the Philippines and South Korea.

The Japanese Prime Minister expressed support for Keating's proposal that an APEC Eminent Persons Group should investigate ways to promote free trade and submit a report to the next APEC ministerial meeting in the US in November.

The Australian Prime Minister has stated that "because of our shared interests and perspectives, Australia and Japan are well placed to work together in promoting the concept of an Asian-Pacific Economic Community based on the principles of openness, non-discrimination and practical cooperation."

Observers here were intrigued when Director-General Kazuo Ogura of the economic bureau of the Foreign Ministry

of Japan recently stated that Australia was potentially the only country able to form a true economic and political partnership with Japan in a world increasingly dominated by emerging regional blocs.

He stated: "Partners are necessary for regional alliances, but in looking at America, Asia or anywhere else, it seems there is no country historically, economically and politically with whom Japan can be a real partner. But there is one possibility — that is Australia."

Ogura added that Australia and Japan were already economically interdependent and increasingly bound together by mutual political and security interests.

Keating has described the quality of cooperation already achieved between the two countries in regional and international affairs as remarkable, particularly considering "the different racial, social, religious and cultural backgrounds of the two countries."

— *Depthnews Asia*

LTTE demands \$200 loans from traders

COLOMBO, June 17: Shri Lanka's dominant Tamil guerrillas have demanded 10,000 rupee (200 dollar) "loans" from businessmen in the island's north to help finance their campaign for an independent state, Tamil sources said Wednesday, reports AFP.

In letters sent to Tamil traders in the northern town of Vavuniya, the Liberation Tigers of Tamil Eelam (LTTE) demanded the money from every businessman in the area, the sources said.

Vavuniya, 260 kilometres (160 miles) north of here is partly controlled by the LTTE

which has its headquarters further north in the Jaffna peninsula.

The money for the Tamil Eelam fund would be repaid after the Tigers set up their separate state in the island's northeast, the LTTE was quoted as saying. Rival groups have frequently accused the Tigers of extortion.

The LTTE is fighting for a Tamil homeland called Eelam for Shri Lanka's two million minority Tamil community which is concentrated in the northeast. Thousands have been killed in the LTTE-led independence campaign.

G-7 summit in July

Suharto's participation still undecided

TOKYO, June 17: Japan is seeking a last minute compromise between its allies in the Group of Seven (G-7) rich nations on Indonesian President Suharto's bid to attend the G-7 summit in July, Japanese officials said on Wednesday, reports Reuters.

Tokyo, host to the July 7-9 summit, had so far failed to obtain a consensus on whether to invite Suharto, the current Chairman of the 108-nation Non-Aligned Movement, to a full G-7 gathering, they said.

After taking over chairmanship of the movement last year, Indonesia has been pushing the G-7 to meet Suharto as an opening in what it hopes would be a dialogue between developing and industrialised nations.

Japan was considering options such as letting Suharto meet individual leaders, or inviting him to a non-working breakfast or dinner during or outside the summit, Japanese officials said.

"Unfortunately, Indonesia has campaigned so openly for an invitation to the summit that it is difficult to withdraw its demand, one official said. Japanese Prime Minister

Kiichi Miyazawa and US President Bill Clinton has both expressed interest in meeting Suharto individually during the summit, foreign ministry spokesman Masamichi Hanabusa told reporters on Tuesday.

"It is up to the Indonesian government to decide whether Suharto will come to Tokyo to meet G-7 leaders," he said.

Japanese officials told Reuters last month that the G-7, which also includes the United States, Germany, France, Britain, Italy and Canada, was unlikely to invite Suharto to deliver a speech to a formal session because other members were worried about setting a precedent.

Japan has been lobbying for higher G-7 attention to the Asia-Pacific region in recent years.

Indonesia is the largest recipient of Japan's official development assistance, absorbing about 12 per cent of its total ODA payment of some 11 billion dollar annually.

Japan needs Indonesia's low sulphur crude oil to meet its power and industrial demands. The South to East Asian nation is also key to Japan's shipping routes.

EC will attempt to tackle joblessness problem

BRUSSELS, June 17: The European Commission took a look at the future on Wednesday and didn't like what it saw, reports Reuters.

European Community economies will shrink by an average of 0.5 per cent this year and grow by just 1.25 per cent in 1994 as the long-hoped-for end to the recession steadily recedes and the jobless total heads towards 20 million, the commission said.

It will be the first time since 1975 that average Gross Domestic Product (GDP) in the EC has contracted.

Against this background Commission President Jacques Delors will attempt at next Monday's Commission summit in Copenhagen to boost their economies and tackle the fundamental problem of rising long-term joblessness.

But the room for manoeuvre is limited.

"It is clear that growth in the Community in the second half of 1992 was lower than we had expected... Germany and France moved into recession, and it will take some time before we see an upturn in economic activity," Economic Affairs Commissioner Heening Christophersen told a news conference.

"We now expect an unemployment rate of more than 12 per cent in mid-1994 where it will stabilise before staging a modest decline," he said. It was 10.4 per cent in April.

Budget deficits, a key criterion in the move towards creation of a single community currency by the end of the century, will also not escape the crisis.

The Commission predicted that deficits would rise to an average of 6.25 per cent of GDP this year from 5.1 last year, before edging down to 5.75 per cent in 1994.

But this is still a long way from the figure of three per cent written into the Maastricht Treaty setting out the criteria and timetable for a single EC currency.

However, Christophersen flatly ruled out a relaxation in either the criteria or the schedule. He said that easing fiscal policies to help boost growth would put even more pressure on budget deficits and therefore not only force countries further off track but also raise the spectre of renewed currency turmoil.

"There will be no further easing of monetary policies if

we are increasing fiscal deficits. In that way if you are tightening the monetary situation it could lead to new disturbances in the European Monetary System," Christophersen warned.

"It is clear that the margin for manoeuvre on fiscal policies is extremely limited. There is no room for an increase in public deficits so governments must see how they can reallocate spending," he said. It was not all gloom and doom.

Christophersen said he expected inflation to edge down to an average annual rate of 4.25 per cent this year from 4.6 in 1992, and to keep falling to 3.75 per cent in 1994, making it easier to relax monetary policies — particularly interest rates which were a key to growth.

GATT's new move to arbitrate between EC-L Americans

GENEVA, June 17: The GATT council decided Wednesday at the request of five Latin American countries to set up a new arbitration panel to rule on their conflict with the European Community over the latter's new rules on banana imports, an EC diplomat said here, reports AFP.

The new regulations, setting quotas for bananas from South America are to go into effect on July 1. The diplomat was speaking after a meeting of the council of the General Agreement on Tariffs and Trade (GATT).

The EC also plans to request time to consider the report submitted at the end of May by another arbitration panel that condemned the community's banana policy, the EC diplomat said.

The community wants to

delay its officials response to the first panel to a future council meeting, thus blocking proceedings that panel ruled that the current EC banana import policy violated GATT rules.

Both the former and the future EC rules on the banana trade are considered unfair by five Latin American producers: Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela.

The issues has also caused dissension within the community.

Germany, which loves bananas and whose market is now completely open to Latin American bananas, has filed an appeal with the European Court of Justice against the new system, which would limit its purchases from Latin America, the court is to rule this week.

Gephardt for repeal of laws relating to US-Russian trades

WASHINGTON, June 17: House of Representatives Democratic leader Richard Gephardt called on Tuesday for repeal of a law that links US-Russian trade to Russian policies on emigration, reports Reuters.

The so-called Jackson-Vanik Amendment was enacted in 1974 to try to prod the then-Soviet Union to allow freer emigration, especially of Soviet Jews. It has been waived on an annual basis but remains on the statute books.

Gephardt told a House Ways and Means Subcommittee it was important to give Russian President Boris Yeltsin and other reformers a sign of support.

Taking this law off the books would send the surest, clearest, most visible signal I can think of... to show the reformers and non-reformers that private enterprise and

capitalism can work in that country, he said.

Yeltsin has appealed for removal of Cold War barriers to US-Russian ties.

Gephardt, a Missouri Democrat who is a leading spokesman in the House on trade issues, was testifying to a House Ways and Means Subcommittee on restrictions on trade with the former Soviet Union.

His appeal was supported by Chairman Sam Gibbons, a Florida Democrat who said the practice of granting annual renewal of most-favoured-nation tariff status to Russian exports to the United States by waiving the Jackson-Vanik Law was not workable.

The law is named after the late Senator Henry Jackson a Democrat from Washington state, and former Representative Charles Vanik, an Ohio Democrat.



American actress and model Brook Shields (L) shares a moment with Japanese actor Masaya Kato after a press conference in Sydney yesterday. Brook Shields and her co-star Kato are in Australia to film the new television series "The Seventh Floor". — AFP/UNB photo

Rechargeable alkaline battery introduced

WASHINGTON, June 17: A US company has introduced a new alkaline battery that, instead of for one-time use only, can be recharged 25 times or more through recharging, reports Xinhua.

The battery, to be sold by Rayovac Corp of Madison, Wisconsin under brand name renewal, has the power and life of a regular alkaline battery, the Wall Street Journal reported today.

Alkaline batteries have zinc and manganese dioxide as active ingredients while conventional replacement rechargeable batteries generally have active ingredients of nickel and cadmium compounds.

The new product will last up to three times longer than fully charged nickel cadmium batteries.

Big fraud uncovered in China!

BEIJING, June 17: Chinese authorities have uncovered a major fraud case involving the country's leading bank for rural investment and 10 billion dollar in falsified letters of credit, The China Daily, reported yesterday, says AFP.

The Agricultural Bank of China announced Wednesday 200 standby letters of credit for amounts ranging from 25 million dollar to 100 million dollar were issued April 1 by fraudsters claiming to represent the "International Finance Department" of the bank's Hengshui Central Branch, it said.

The bank has no such department, the official English-language daily said.

The one-year letters of credit were signed by Zhao Jinrong and Liu Shuhong for an applicant named the United Asia (Group) Corp and were in favour of Sherwood Investments (Bahamas) Ltd.

The bank said the documents were the work of Chinese and foreign criminals and had been invalid from the time of issue. It said it took no responsibility of any transactions involving the letters of credit.

US House Appropriations body calls for revision of aid programme

WASHINGTON, June 17: The House Appropriations Committee, which controls a large share of all federal spending, says the sharp cut it has recommended in foreign aid "requires new ways of thinking about the delivery of aid and the use of taxpayer dollars," according to USIS.

This, the committee said, includes all forms of foreign assistance, including military and economic aid, "as well as the future role and organisation of the United States Agency for International Development."

The committee notes it has eliminated earmarks, or specific instructions on use of funds, in its version of the foreign assistance bill. It also says foreign aid should shift its focus from military assistance toward sustainable development, reduction of poverty, democratisation and export assistance.

The comments are part of the report the committee issued June 10 when it reported its version of the foreign assistance appropriations bill to the full House of Representatives for further action.

Following is an excerpt from the report:

The committee believes that the United States is entering a new era in foreign assistance. The outlines of that era are just beginning to emerge. Trends are developing which will guide the direction of foreign assistance into the next century. This bill represents a transition into the new era.

First, the bill has been cut by more than 1,400 million dollar from the administration's fiscal year 1994 request for foreign assistance in light of the huge budget deficit and tight spending constraints. The committee expects that budget constraints will continue to affect overall foreign assistance spending levels well into the future, and it will be necessary to review all foreign assistance programme and country aid

levels in order to make the changes necessary to respond to federal budget constraints and the foreign policy challenges and opportunities of the future.

The large reductions in this bill in virtually all accounts will require new ways of thinking about the delivery of aid and the use of taxpayers' dollar.

Second, the bill provides a total of 2,500 million dollars in assistance for Russia and the other new independent states of the former Soviet Union, a substantial new direction in policy emphasis.

Third, these actions are taken at the beginning of a new administration which is taking a new look at the purpose and structure of the foreign assistance programme. This will include overall foreign assistance-bilateral and multilateral and military and economic — as well as the future role and organization of the United States Agency for International Development.

In light of the serious problems that aid has experienced over the past four years, the committee expects that these efforts to reform foreign assistance, along with the new leadership that has been put into place at the agency, will significantly improve the operations and effectiveness of US foreign assistance programmes. The American taxpayers deserve no less.

The Congress will also be substantially involved in the new direction of US foreign assistance as preparations begin to rewrite the Foreign Assistance Act of 1961. The fiscal year 1994 appropriations bill represents a transition to that process in terms of the elimination of earmarks and the elimination of a significant number of legislative provisions. In a sense, the bill attempts to reestablish an orderly

appropriation and authorisation process.

Under this bill, the administration would be given maximum flexibility to deal with world problems. The authorising committee would be restored to its rightful role in defining foreign policy, and the Appropriations Committee would be returned to its proper role in allocating resources on the basis of that policy.

Fourth, the committee believes that the foreign aid programme should continue to move away from security and military assistance and refocus available resources toward sustainable economic development, poverty alleviation, democratisation, and export assistance.

The committee notes the following priorities in the bill that it strongly believes should be followed by the administration.

The most pressing national security and foreign policy issue facing the United States is the struggle for democracy and economic reform now going on in Russia, Ukraine and other new independent states of the former Soviet Union.

The administration has made clear its desire that Israel and Egypt be supported at the requested level and the committee's bill supports that request. This includes funding for the West Bank and Gaza.

The committee also emphasizes that another foreign assistance priority should be to deal with Third World poverty issues through responsible and reasonable levels of funding for refugee assistance, and development programmes such as child survival, and voluntary family planning.

The committee also believes that our aid programme should defend our own interests abroad — political, military and economic.

Saudi oil industry likely to emerge stronger

MANAMA, June 17: Saudi Arabia's government oil industry is likely to emerge stronger from the amalgamation of the refining giant Samarec with Saudi Aramco, oil sources and analysts said on Tuesday, reports Redter.

In a surprise move on Monday night, the Saudi cabinet meeting under King Fahd decided to abolish Samarec, the Saudi Arabian Marketing and Refining Co, and bring its operations under the Saudi Aramco umbrella.

The secret had been so well kept that it took officials in both organisations and in Saudi Arabia's refineries by surprise, with oil executives busily calling around on Tuesday to figure out its significance.

The consensus that emerged was that the integration of Samarec into Saudi Aramco, a company with nearly 60 years experience that is responsible for about one-eighth of world oil output, could only mean a more powerful oil operation.

"One of the ideas in the restructuring is to make the Saudi oil industry as dynamic as possible", one authoritative Saudi source said, noting that the changes took immediate effect.