

# Tokyo - Washington talks on trade framework fail

TOKYO, June 28: Japan and the United States have failed so far to reach a substantial agreement at a two-day meeting which opened here Sunday to set the stage for comprehensive trade framework consultations, sources said, reports AFP.

The sub-cabinet-level talks here followed a similar meeting held in Washington earlier this month.

Japanese officials were cautious toward US proposals to set "Benchmark" or numerical targets for Japan's imports of manufactured goods in giving US products greater market access, the sources said.

The bilateral trade framework consultations were proposed by Japanese Prime Minister Kiichi Miyazawa during talks with US President Bill Clinton in Washington in April.

The Clinton administration has demanded that Japan halve its current account surplus from the current three per cent to 3.5 per cent of its gross domestic product as a means of cutting its huge chronic trade surplus.

But at the sub-cabinet-level talks in Washington, the Japanese side rejected the US demand, saying that setting

numerical targets would lead to managed trade.

A high-ranking US official was quoted by Jiji press as saying Sunday that the United States was ready to soften its earlier position.

The "Benchmark" is the target of efforts and any failure to satisfy the level will not lead to trade sanctions, the unnamed US official was quoted as saying.

But the Japanese side took a cautious attitude toward US proposals at the opening session which lasted until late Sunday, conference sources said.

Officials of the two countries reportedly plan to produce a compromise agreement on the proposed trade framework consultations before Miyazawa and Clinton meets here on July 6.

But the ongoing negotiations here do not allow any optimism, Japanese press reports said.

The Miyazawa-Clinton meeting will precede a summit to be held here July 7-9 by the Group of Seven (G7) industrialised countries.

The G7 groups — Britain, Canada, France, Germany, Italy, Japan and the United States.

# US missile attack on Iraq no threat to oil supply, say analysts

MANAMA, June 28: Oil prices may blip up in reaction to the US missile attack on Iraq but analysts here saw no risk to oil supply unless the incident fueled wider tension in the Middle East, reports Reuter.

"Anything which increase tension in the Middle East is likely to add a few cent to the oil price short-term," said Geoff Pyne, energy economist at UBS Securities in London.

But he added "the raid should not affect oil supply and demand because Iraq does not export much oil."

The two main considerations analysts and traders looked at were how Iraq might react politically or militarily and what effect there might be on Iraq coming back into the oil market — from which it has been absent since it invaded Kuwait in 1990.

"If they send a missile into

Riyadh, you might see something happen (to the price)," one Gulf trader said, noting that the United Nations and allied forces had destroyed most of Iraq's military ability to retaliate strongly.

"If they just put out a statement condemning the imperialism of the United States, everybody will yawn and go back to sleep."

Whether the attack might influence the return of Iraq to the oil market was potentially more significant for prices.

Iraq had been producing more than three million barrels per day (BPD) in 1990 but the UN has banned general exports until it is satisfied with Iraqi compliance on disarmament.

"I don't think there was much doubt that Iraq would not be exporting oil this year," another trader said. "There's definitely no chance now, now

that the United States has shown its hand."

"It pushes the spectre of Iraq coming into the oil market further away," another said.

Nonetheless, the UN has authorised Iraq to sell 1.6 billion dollar of oil over a six-month period under strict conditions, thought that would be only about 500,000 BPD, the market would find it hard to absorb even that amount.

Iraq had rejected the opportunity on the grounds the UN restrictions violated its sovereignty but UN sources in New York revealed on Friday Iraq has offered to resume negotiations on selling this limited amount of oil.

The sources, speaking before the US strike, said Iraqi negotiators may come to New York on July 5, one week away.

It was difficult to predict whether the attack would now

encourage or discourage Iraq from negotiating.

Adding oil to the market would drive the price down, hurting US Gulf allies by taking market share and revenue away, but lower prices also tend to benefit Western economies.

"Saddam doesn't think as you or I do," a trader said.

But he said he thought the attack should at least halt any downward movement in the market, which has been weak since the Organisation of Petroleum Exporting Countries reached a leaky agreement in Geneva on June 10.

"I think we'll see a bit of perk in the morning."

But the traders and analysts saw little likelihood of a sustained price rise solely on the basis of Sunday's strike.

"Fewer and fewer people are willing to jump on the panic bandwagon," a trader said.



Pakistan bank employees and industrial workers beat their chests in a protest on Sunday outside the Punjab recently against the federal budget which has resulted in new taxes and rising prices. — AFP/UNB photo

## Cambodian new bank notes awaiting release

PHNOM PENH, June 28: New high denomination bank notes have been printed as the purchasing power of Cambodia — existing range of notes has been badly undermined by devaluation, UN and government officials said Monday, reports AFP.

But the new 1,000 and 2,000 riel notes have been kept in storage in the national bank awaiting a decision on their release.

UN officials have been pressing for higher denomination notes as the country's shoppers currently have to carry burdensome bagfuls of banknotes for any major purchase.

"It's a nuisance that they don't have a larger bill," UN Financial Advisor Roger Lawrence said.

But incumbent Phnom Penh government officials were still reluctant to issue the new notes fearing they would fuel further devaluation of the riel.

This will have a negative impact and create loss of confidence in the field. Up to now we don't have any plans to issue the new notes," government spokesman Khieu Kanharth said.

The 500 riel note, currently the largest, has become increasingly worthless.

This time last year the riel was trading at 1,200 to the dollar.

The currency recently gained some strength from a record low of 6,000, and is currently trading at 2,900 to the dollar.

UN officials suggested releasing a larger note last March but the government was against the move.

"They were concerned about the timing of the introduction. If the introduction took place during a period of rapid inflation it could have been seen as accommodating that inflation," a UN official said.

## Japan's crows never had it so good

TOKYO, June 28: Japan's crows have never had it so good, writes Reuter.

Dustbin bags awaiting collection bulge with rotting garbage, a ready feast for the jet-black scavengers. In Tokyo's Ritz Ginza shopping district, home of the world's costliest real-estate, rats thrive among overflowing trash cans stacked outside bars and restaurants.

For the human population, however, Japan's ever growing rubbish mountains are proving a big headache. Japanese urban residents in 1992 threw away 37.6 million tonnes of garbage, or more than 1.1 kg (2.5 lbs) per person per day, according to a report by the Japan Association of City Mayors (JACM).

That's an increase of nearly 40 per cent over 10 years. This overcrowded island nation has 618 garbage dumps with a total capacity of 335 million cubic metres (388 million cubic yards) most are two thirds full and are likely to reach saturation within six years, the report said.

Most of Japan's rubbish is dumped on land but an unknown amount is washed by river out to sea. Scientists recently had to place satellite-linked buoys around Japan to help trace the destination of garbage drifting into the Pacific.

Faced with such problems, the authorities are grappling for ways of reducing the amount of rubbish Japanese throw away.

The JACM is pushing the idea of a pay-as-you-throw system whereby consumers fork out to have their rubbish collected.

"A consumer-pay system forces people to think carefully before throwing things away," said a JACM spokesman. He said many people saw garbage as the sole responsibility of local government, but individual households and private business must also share the burden.

The association groups 663 cities, accounting for about 80 per cent of the Japanese population. Only 53 cities currently levy a charge for garbage collection, but many others are considering introducing the system, the spokesman said.

One city which introduced the pay-system reduced the amount of garbage by almost half over several years, he added.

Not everybody is convinced. One foreign resident, in a letter to the English-language Japan Times, said the real culprit behind Japan's rising tide of trash was the excessive amount of wrapping and packaging used by manufacturers here.

He suggested the most effective way of tackling waste and promoting environmentally friendly attitudes would be a tax on manufacturers rather than on consumers. Packaging offered by Japanese shops is unparalleled in other nations.

## G7 talks on Russian privatisation fund enter final phase

MAKUHARI (Japan), June 28: Group of Seven (G7) industrialised nations are in the final phase of discussion to agree on a fund to privatise Russian state enterprises, International Monetary Sources said on Sunday, reports Reuter.

The sources, who declined to be identified, said the fund was likely to win approval at the July 7-9 G7 summit in Tokyo.

Senior officials from G7 — Britain, France, Germany, Italy, Canada, the United States and Japan — also discussed measures to spur the lagging global

economy during three days of talks in the Tokyo suburban city of Makuhari.

The sources said, however, that it would require much more discussion for the G7 to reach agreement on effective growth-stimulation measures.

The United States had proposed setting numerical targets among G7 countries for growth rates and for current account surplus or deficits and budget deficits, other monetary sources said.

Japanese and European officials turned down the proposal, saying that setting a specific goal for growth was at

odds with economic reality, the sources said.

The Makuhari talks involved the so-called "sherpas", officials preparing the summit ground for their leaders.

The privatisation fund, which the Clinton administration originally proposed should raise four billion US dollar from G7 nations and international financial institutions, is now being scaled back due to the budgetary constraints of G7 nations.

US officials have said the new total is not fully established but is expected to include about 500 million US

dollar from international financial bodies.

US foreign aid chief Brian Atwood said on Friday that Washington would put 125 million US dollar on the table in Tokyo next week and try to raise more.

Former Russian Prime Minister Yegor Gaidar said in Washington on Wednesday that the privatisation fund was the single most important type of aid the West could provide.

The sherpas in Makuhari also discussed debt relief for heavily indebted nations, mainly in Africa, but reached no agreement.

## France soon to announce series of austerity measures

PARIS, June 28: A series of austerity measures hitting particularly the French welfare system are set to be announced here this week, reports AFP.

The measures, including a freezing of child benefit and a reduction in the current 60,000 hospital beds, will complete the measures demanded by Prime Minister Edouard Balladur to combat the serious economic situation.

Social Affairs Minister Simone Veil will have the task of unveiling the austerity package on Tuesday which will contribute to the 30 billion francs (5.2 billion dollar) cuts in health spending called for by Balladur.

He said the cuts had to be put in place by 1994 and were a necessary sacrifice if the French people wanted to "safeguard their social welfare system."

But French unions angered by the package of cuts have organised a day of action to be held Monday.

Having tackled revenue by raising the unpopular tax, the general social contribution, by 1.3 per cent on Thursday, the government now intends to attack spending.

The main aim is initially to reduce the deficit in the social security budget.

Hospitals are to be asked to rationalise their beds, while child benefit is to be temporarily frozen Wednesday at the cabinet meeting instead of being traditionally increased from July 1.

## US, Japan top borrowers in world capital markets

PARIS, June 28: The United States and Japan remained the top two borrowers on world capital markets in the first four months of the year, but Germany and France overtook Britain to nearly catch up with Japanese borrowers, the OECD indicated on Sunday, reports AFP.

US-based borrowing rose to 31.7 billion dollar, from 27.3 billion in the January-April period of 1992, while Japan raised 21.9 billion, slightly down from a year-earlier level of 22.6 billion, the Organisation for Economic Cooperation and Development (OECD) said in a survey of financial market trends.

Germany's private and public sector borrowing shot up by 171 per cent year-on-year to 19.8 billion dollar in January-April, from a modest year-earlier 7.3 billion. This equalled 70 per cent of total German 1992 borrowing.

France boosted its external market borrowing by 52 per cent to 19.7 billion, from 13 billion in the same period of 1992. Its intake of just under 20 billion during the first four months equalled almost half the 42.5 billion raised abroad by French borrowers in 1992 as a whole.

Canada also recorded a sharp rise in its recourse to world capital markets, raising 17 billion dollar, during the four-month period, up from a year-earlier 11.3 billion.

Italy, at 14.1 billion dollar, also recorded a hefty percentage increase from the 7.9 billion it borrowed in January-April 1992.

Britain was the only major borrower to record a year-on-year decline, raising 14.2 billion dollar against 19.3 billion in the first four months of last year.

The OECD ranking list of top 1992 borrowers put the Group of Seven (G7) countries in the lead: United States 95 billion dollar, Japan 75.5 billion, Britain 70.9 billion, France 42.5 billion, Canada, 30.2 billion, Germany 28.4 billion and Italy 15.1 billion.

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## Albania hopes to establish joint ventures with Pakistan

ISLAMABAD, June 28: Albanian Deputy Prime Minister Bashkim Kopliku yesterday expressed his country's desire to establish joint ventures with Pakistan, the state-run Pakistani Television said, reports AFP.

Kopliku, who flew in here late Friday on a two-day visit, held talks with Pakistani Minister of Industries Sheikh Rashid Ahmed and discussed matters relating to economic cooperation, it said.

He said his country was pursuing a privatisation policy and sought the benefit of Pakistan's experience in deregulating its economy.

The Albanian Minister, also in charge of his country's economic reforms, is leading a three-member delegation.

## Yen bounces back, while other Asian units dip against dollar

HONG KONG, June 28: Most Asian currencies were weaker but the Japanese yen bounced back against the dollar from mid-week lows prompted by recent political turmoil in Tokyo, reports AFP.

**Japanese yen:** Rebounded sharply against the dollar, swayed by Japan's political uncertainty and persistent US demands that Japan slash its huge trade surplus. The yen closed on Friday at the week's high of 106.35 yen to the dollar, up 1.05 yen from a week earlier.

The yen opened the week sharply lower at 109.36 yen following the dissolution of parliament's lower house at the weekend. It lost further ground to hit the week's low of 111.60 yen on Tuesday.

But the Japanese unit turned upward on Wednesday and recouped earlier losses while the dollar was sold on the announcement of better-than-expected US economic data. It jumped on Friday on reports that the US government wants a stronger yen to help balance Japan-US trade.

**Australian dollar:** Lost ground against the Greenback over the week, despite a late rally Friday, closing at 67.16 US cent compared to 67.35 cent the previous week.

The currency shed more than two US cent before Friday's move.

The Australian dollar's high for the week was 68.65 cent on Monday, but was sold aggressively on Thursday when it hit 66.40.

The market found itself short and scrambled to square positions ahead of the weekend," a dealer said.

**New Zealand dollar:** The New Zealand dollar closed the week at 53.65 US cent, down on the previous week's 54.18.

The Kiwi is looking pretty strong and we expect it to track back up towards 54 US cent once the budget is out of the way," a dealer said. The budget is to be delivered on July 1.

**Malaysian ringgit:** The Malaysian ringgit ended the holiday-shortened week earlier against the US dollar to finish at 2.5835 to the Greenback from 2.5708 the previous week.

The market was closed on Monday for Muslim new year. Dealers said trading was volatile although the ringgit moved within a narrow range against the Greenback.

**Indonesian rupiah:** Weaker at 2,088 Friday from 2,085 at the close of the previous week. Started the week at 2,087 rupiah to the dollar on Tuesday, following Monday's public holiday.

**Singapore dollar:** Finished weaker at 1.6225 against the US dollar here Friday against the previous week's close of 1.6183.

Dealers said the Greenback fluctuated erratically in Singapore in line with most Asian money markets. On Tuesday it hit 1.6628 before moving lower.

Trade talks between US and Japan to correct the imbalances was said to have been the reason for the erratic swing

of the US dollar. It over shadowed the domestic political crisis in Japan.

**Hong Kong dollar:** Slipped back into the middle of its tight peg to the US dollar finishing at 7.505-7.525 to the Greenback from 7.7336-7.7346 the previous week.

The effective exchange rate index stood at 112.4 from 112.7 the previous week.

**Taiwan dollar:** Continued downwards to close Friday at 26.405 to the US dollar off 11.5 Taiwan cent from the previous week's finish of 26.29.

The local unit hit a 20 month low of 26.4314 Wednesday as a result of the US currency strengthening on the international market and seasonal demand, market dealers said.

**South Korean won:** Weaker at 802.90, down 0.70 from the previous week's close of 802.20 due to the appreciation of the Japanese yen. The won weakened to 804.20 on Wednesday, the highest since 1987, as demands for the dollar rose sharply for procurement of military materials from abroad, dealers said.

**Thai baht:** Closed Friday at an official mid-rate of 25.32 baht to the US dollar, down from the preceding week's close of 25.22 to the dollar. The Greenback gained sharply against the baht due to US and European pressure on Germany's central bank to lower interest rates, and because of the ongoing political turmoil in Japan, a currency trader said.

**Philippine peso:** Gained slightly to close at 27.20 to the dollar Friday from the previous week's 27.28.

## China to get \$50m in aid

WASHINGTON, June 28: The World Bank's arm which lends to the poorest countries had extended a 50 million dollar credit line to China, bank officials announced yesterday, says AFP.

The credit from the Association for International Development which will be over 35 years with a 10-year grace period, is to provide technical assistance for an environmental project which will cost some 76 million dollar in total.

The funds will be used for technical skills and materials for an environmental agency and a science academy in China.

For this fiscal year, which ends June 30, the World Bank will have extended 300 million dollar for environmental projects in China.