US adopting aggressive industrial policy

WASHINGTON, Oct 4: As promised during his campaign for the US presidency, Bill Clinton is adopting and aggressive industrial policy to help US companies compete with their European and Japanese rivals, reports AFP.

The White House last week unveiled a programme of cooperation between Pentagon research centres and three US automakers.

The objective, said Clinton, is to do "nothing less than redefine the world car of the next century"— and thereby enable the US auto industry to dominate the world auto market.

A little later, explaining his administration's export promotion strategy, the president announced that a small part of US aid would be linked to the purchase of US goods and services.

The measure, which would mark a significant departure in US policy of the past two decades, is designed "to counter the tied-aid practices of our competitors," Clinton said.

According to Clinton, US business has lost 400 to 800 million dollar a year in exports to developing countries because of such practices.

Clinton also has decided to ease Cold War-era restrictions on high technology exports.

The Clinton administration believes that the panoply of measures will double US exports to two billion dollar a year and create six million jobs.

At the same time, Transport Secretary Federico Pena last week gave the green light to relaunch the construction of US civilian merchant ships. Three billion dollar in credit guarantees have been freed to encourage orders and offset the subsidies that the Japanese and Europeans provide their shipbuilders.

Moving on all fronts, the Clinton administration also sent Pena to Saudi Arabia over the weekend to try to win for the United States a six billion dollar commercial aircraft order in which Boeing and McDonnel Douglas are in close competition with Europe's airbus industries.

Senator Patty Murray, a Democrat representing Washington state, revealed in August that Clinton personally intervened with King Fahd and was confident that most of the order will go to US aircraft manufacturers.

This series of measures and interventions by high officials turned travelling salesmen contrasts sharply with the laissez-faire attitudes of the two previous administrations.

It reflects the determination of the new team in the White House to mobilise all its resources to preserve cutting edge industries that are considered under threat from foreign competitors benefiting from government support.

A woman takes a closer look at a "Jurassic Park" scene carved out of valuable coral in Taipei on Sunday. The sculpture, weighing 1,420 grams and measuring 5.5 inches high, was carved from one single piece of coral by a designer of the Taipei-based Lucoral Co in two months. The sculpture is going for 1.38 million Taiwan dollar (51,300 US dollar). — AFP photo

Dollar, stocks edge down in Tokyo

TOKYO, Oct 4: The US dollar fell against the Japanese yen Monday as the Tokyo market remained calm despite the Russian turmoil. Share prices on the Tokyo Stock Exchange edged down, reports AP.

The dollar closed at 106.00 yen, down 0.38 yen from Friday's Tokyo close but the same as its New York finish on Friday. It opened at 106.33 yen and ranged between 106.00 yen and 106.40 yen.

The turmoil in Russia pushed the dollar higher in early trading, but initial nervousness eased and the dollar slipped back, said Yoshikazu Kawaguchi, a Daiwa bank dealer.

The yen's strength against the German mark also contributed to the dollar's weakness against the Japanese currency, he said.

On the stock market, the 225-issue Nikkei Stock Average lost 18.70 points or 0.09 per cent, closing at 20264.43. On Friday, the Nikkei had climbed 177.42 points, or 0.88 per cent, closing at 20,283.13.

The Tokyo Stock Price Index of all issues listed on the first section was down 0.06 points to 1,634.03. It had gained 7.84 points, or 0.48 per cent, to 1,634.09, on Friday.

Volume on the first section was estimated at 180 million shares, down from Friday's 360 million. Retreating issues overwhelmed gainers 591 to 372, with 214 issues unchanged.

Prices were lower at the opening because of the Russian political crisis, but buying by bargain hunters narrowed the losses, traders said.

At 3 pm (0600 GMT), the price of the benchmark No 145 10-year Japanese government bonds was 111.31 yen, up 0.25 yen from Friday's close. Their yield fell by 0.035 percentage point to 3.735 per cent.

Most Asian units lose ground against dollar over week

HONG KONG, Oct 4: Most Asian currencies lost ground against the US dollar this week as investors brought the Greenback on the back of improved US economic indicators, reports AFP.

The Japanese yen and Australian dollar both registered minor losses against the American unit, while the Philippine peso following calls for a devaluation to boost exports.

The Indonesian, New Zealand, Philippine, South Korean and Thai currencies all lost ground.

Japanese yen: The Japanese yen weakened moderately to the US dollar on Friday, down 0.33 yen from the previous week's finish.

The currency suffered a sharp daily loss of 1.28 yen at the close Friday as investors sold yen for dollar on improving US economic indicators.

Australian dollar: The currency ended the week lower at 4.1 US cent from last week's 65.23 US cent, mostly under pressure from selling out of the United States.

The local unit slumped to a low of 4.48 US sent after bouncing from a second six-and-a-half year trough of 64.13 US cent in London.

Offshore sellers knocked the Australian dollar to a slightly softer close on Friday, rounding off a hectic week and heavy reserve bank intervention.

The unit ended at 47.66 points down from 48.1 on the central bank's trade weighted index.

New South Wales markets are closed Monday for a Labour Day holiday.

Hong Kong dollar: The Hong Kong dollar ended trading Friday at 7.736-7.737 to the US dollar, up from 7.7455-7.7465 a week ago. The effective exchange rate index on Thursday was 112.2, against 112.5 last week.

Markets were closed Friday for the mid-autumn festival.

Indonesian rupiah: The Indonesian currency fell against the US dollar over the week to 2,109 rupiah, compared to 2,108 the previous week.

New Zealand dollar: The New Zealand dollar closed Friday at 54.99 US cent, down from the previous week's finish of 55.33 US cent.

It traded in a narrow range throughout the week and climbed slightly on Asian buying Friday.

Dealers said they were looking forward to updated government financial figures next week, but added they were not expecting any major surprises.

Malaysian ringgit: The ringgit closed the week 20 points higher against the US dollar at 2.5490 from 2.5510 previously.

Dealers attributed the local currency's strength to active buying by off-shore banks.

Philippine peso: The Philippine peso closed at 29.230 to the US dollar on Friday, down from last week's 28.001.

Bankers blamed the decline on speculation sparked by calls to devalue the peso to 35 to the Greenback in order to boost exports.

The peso fell Monday and moved to an all-time low of 30.55 to the dollar on Wednesday. It stabilized Thursday after the central bank intervened to mop up excessive money supply by hiking interest rates.

Singapore dollar: The US dollar remained weak throughout the week, closing Friday at 1.5848, lower than the previous week's close of 1.5923.

Dealers said there was very little interest in the Greenback, with the usual end-of-month demand having little effect.

The US dollar on Thursday dipped to an all-time low of 1.5820 to the Singapore unit before recovering slightly on Friday.

South Korean won: The won weakened against the US dollar, trading at 809.10 won Saturday, down 0.20 won from the previous week.

Taiwan dollar: The Taiwan currency jumped to close Friday at 26.8405 to the US dollar, up from the previous week's finish of 26.93 in heavy trading.

Thai baht: The Bank of Thailand's Exchange Equalisation Fund (EEF) on Friday fixed the official midrate at 25.25 baht to the US dollar, compared with the previous week's close of 25.24.

Lufthansa, United airlines sign accord

FRANKFURT, Oct 4: Lufthansa and United airlines signed an agreement Monday that will give Lufthansa more access to the US market and allow United to expand in Europe, reports AP.

The accord, which goes into effect January 10, allows each airline to book passengers on certain routes belonging to the other.

Lufthansa will be able to sell tickets to 11 new cities in the US: five with connections through Chicago, five through Washington, DC, and one through San Francisco.

Lufthansa didn't specify the cities that initially will be covered by the agreement. It currently flies to 12 US airports.

United will be able to book passengers on Lufthansa flights to eight cities in Germany beyond Frankfurt, as well as to Vienna, Austria. The cities are Cologne, Dusseldorf, Hanover, Hamburg, Munich, Nuremburg and Stuttgart.

In addition, United will use Lufthansa flights between London's Heathrow airport and Berlin, Hamburg and Munich.

The airlines also will share frequent-flier programmes and ground facilities. They won't exchange stock or other equity.

The alliance was made possible by the conclusion of a new US-German air traffic accord last month.

The accord allows Lufthansa to book passengers through to any US destination served by US partner. Previously, it could only book flights across the Atlantic, but no connecting flights within the United States.

Lufthansa, a money-losing, half state-owned firm, has been at a disadvantage with other European carriers that already signed cooperation agreements.

British Airways is allied with US Air, Air France with Continental, Dutch KLM with Northwest. These agreements allow airlines to fill their empty seats with passengers booked through the partner.

The agreement was signed by Lufthansa chairman Juerge Weber and Stephen M Wolf, chairman of UAL Corp, at Lufthansa's Frankfurt headquarters.

Europe seeks better value for health care money

LONDON, Oct 4: "Save our hospital" posters plaster central London. Union members threaten to strike in Germany over the loss of holidays to help pay for health care. Italy's government slaps a new tax on doctors, reports AP.

While President Clinton is proposing a radical overhaul to make the US health care system in some way more like those in Europe, European countries are tinkering with their systems to adjust to changed economic times.

There is a shared concern, as Hillary Rodham Clinton put it Thursday in Washington, that "we are not getting our money's worth."

With increasing elderly populations and budget pressures brought on by recession, pressures for greater efficiency and cost control are unavoidable.

It can come down to the old question about how many people it takes to change a light bulb.

In one British hospital, it takes six. And it takes them 20 minutes to do it, according to an internal audit.

On a larger scale, the number of administrators and clerks in the National Health Service shot up 18 per cent from 1986 to 1991 to a total of 121,500. Medical and dental staff increased about the same amount, and nursing staff rose 12 per cent.

"There is a huge amount of room for improvement," Sir David Cooksey, chairman of Britain's audit commission, told a National Health Service conference on Wednesday.

"It needs a constructive approach between management and staff to ... take money out of the administrative system and put it into patient care."

Italy is trying the simple expedient of taking money out of the pockets of its nearly 15,000 doctors, through a new tax on each physician of 85,000 lire (56 dollar) per year, and putting it back into the healths service.

In Germany, labour unions are threatening strikes to protest the proposal announced by the government last week to reduce the number of paid holidays from 10 to eight to help covering nursing-care costs.

The French government has increased charges to help cover growing deficits in the health service and to restrain demand.

Dollar mixed, gold prices rise in London

LONDON, Oct 4: The US dollar was mixed in early European trading Monday. Gold prices rose, reports AP.

In Tokyo, the dollar closed at 106.00 yen, down 0.38 yen from Friday's close. Later in London, the dollar was quoted at 105.76 yen.

Other dollar rates compared with late Friday:

— 1.6363 German mark, up from 1.6350

— 1.4275 Swiss franc, down from 1.4285

— 5.7060 French franc, up from 5.7005

— 1.8455 Dutch guilder, up from 1.8268

— 1,596.50 Italian lire, up from 1,592.00

— 1.3365 Canadian dollar, up from 1.3358

In London, the British pound was quoted at 1.5035 dollar, up from 1.4955 dollar late Friday.

London's major bullion dealers fixed a recommended gold price of 355.50 dollar per ounce at midmorning, up from 354.95 dollar bid per ounce late Friday.

In Zurich, the bid price was 355.60 dollar, up from 354.60 dollar late Friday.

In Hong Kong, gold rose 1.54 dollar to close at a bid 355.49 dollar. Financial markets in Hong Kong were closed Friday for a national holiday.

Silver traded in London at 4.11 dollar a troy ounce, up from 4.05 dollar a troy ounce Friday.

Buyers showing interest in Bangladesh products at the Asian Super Market Exhibition '93 held in Singapore. Pavilion Director Major (Retd) A K M Nizamul Alam is seen in the picture.

Accord on $1 lakh ceramic goods, garments exports likely

Buyers will sign contracts to import ceramic products and readymade garments worth one lakh US dollar from Bangladesh shortly, reports UNB.

The buyers at an international trade exhibition titled "Asia Super Market Exhibition '93" in Singapore September 22-25 have also evinced interest in buying porcelain products and jute goods.

Two contracts worth 50,000 US dollar each of importing ceramics and readymade garments would be signed.

Export Promotion Bureau (EPB), four other exporting firms both from private and public sectors participated in the exhibition with their products.

Arend J Meerburg, Director of the NGO, Private Sector and International Education Programmes Department, Ministry of Foreign Affairs, Government of the Netherlands, visited Tamijuddin Textile Mills Ltd (TTML) yesterday. Md Sahabuddin Ahmed, Director, TTML received him at the factory site and showed him around.

Third World in 90s — experiences of China, India and South Asia

(Part one of the second instalment)

by Belal E. Baaquie

Since the end of the Second World War, the Third World was one of the arenas of the Cold War. All attempts by Third World countries at asserting their legitimate interests as distinct from and at times in conflict with the West were viewed myopically as 'subversive' and pro-Soviet. The US mistakenly opposed all forms of communism and Third World nationalism as being pro-Soviet and hence greatly magnified the strength of the Soviet Union. The most glaring example of this myopic view was in the case of Vietnam, where the struggle of the Vietnamese people against colonisation was interpreted by the US as the expansion of Soviet influence; in the ensuing Vietnam War two million Vietnamese lost their lives and culminated in the military defeat of the US.

Impact of Cold War

The Cold War thus had a tremendously destabilising influence on the Third World. The US carried out a policy of intervention and interference in the Third World all under the blanket justification of opposing the Soviet Union; the Soviet Union also carried out similar interference and subversion in the Third World leading finally to the Soviet debacle in Afghanistan.

The existence of Cold War also provided an opportunity for Third World countries to play off one superpower against the other. This option was open, however, to only a handful of the more powerful Third World states like China and India and not to the weaker nations. There is an opinion that East Asian countries like South Korea, Taiwan and the ASEAN countries were indirect beneficiaries of the Cold War since the US supported and encouraged the economic development of this region as a counter-weight to expansion of Soviet influence.

The Third World was thus drawn by the Cold War into a conflict not of its own making, and external interference by the US and the USSR made the political issue of independence and sovereignty of paramount importance. What became subordinated to politics in the Cold War context was the pressing issue of economic and social rejuvenation of the Third World countries after the long and bitter darkness of Western colonisation.

The end of the Cold War had brought the core issue of economic growth to the top of the Third World agenda. There is a universal consensus that only economic growth can guarantee a decent future to the Third World; and even more important is the realisation that no external agency, be it the World Bank or the Asian Development Bank, can bring about this much needed economic growth. On the contrary, the Third World countries of East Asia that are prospering have done so precisely because they have leaders who have chartered their own specific and unique path to economic expansion.

Three worlds

The concept of the Three Worlds needs to be redefined in the post-Cold War period. The idea of the Three Worlds has many interpretations. The one favoured in the West was to see itself as the First World (Naturally!); the Soviet bloc as the Second World and the rest as the Third World; clearly this classification has now become irrelevant.

The concept preferred by developing countries is based on the criterion of political power and which continues to be valid even in the post-Cold War era; the First World in this framework consists only of the US as it is the only power (with the demise of the Soviet Union) which is a global superpower; the Second World consists of the modern industrialised countries and the Third World being the developing countries.

The gray area between the Second and Third World encompasses those developing countries like Korea, Taiwan, Singapore etc. which are soon going to graduate from the Third to the Second World as well as East European countries which may go either way.

China

China has followed a path of development which is uniquely its own; after its political and military victory in 1949, the Communist Party of China went through many twists and turns, and after 1979 turned its full attention to economic construction. As a first step in stabilising the peasantry, agriculture was deregulated by allowing for private farming, and the prices of agricultural goods were doubled; since the eighties the focus had turned to the cities and to industrial development.

According to China, its current economic system is a socialist market economy with a mix of private and public sectors; the government exercises macroeconomic controls on the economy by having the commanding heights of the economy in the public sector; the market is used as a gauge of productivity and for deciding on the allocation of resources; the private sector has a well defined scope and is the leading force in joint ventures, direct foreign investments and in the export industries.

In today's instalment, Dr Belal E Baaquie writes about the developing countries' experiences in the nineties with special focus on China and India. He highlights some differences in the experiences of these two Asian giants.

The ex-Soviet Union started its reforms in the political realm by diluting the power of the Soviet Communist Party without any coherent economic programme, and which finally led to a socially chaotic situation. In contrast to the Soviet case the Chinese Communist Party has kept its monopoly on political power while vigorously promoting economic reforms. It is an open question as to whether this policy can continue indefinitely and if so what sort of a society will ultimately emerge in China; but what is clear for now is that China has found, at east for the next decade, a path of explosive growth and expansion.

The economic growth of China is being fuelled by both its internal and external markets. The cutting edge to China's explosive growth has come from its ability to attract foreign capital to set up industries for export; while allowing only a limited opening up of its internal market to foreign capital, China instead has successfully utilised foreign capital to penetrate foreign markets, specially in the US and Europe.

China's external debt in 1992 was about 65 billion US dollar (its main creditor being Japan). The largest direct investor in China is Hong Kong, followed by Macau, the US, Japan, Taiwan and Singapore; it is estimated that 74 billion US dollar was invested by foreign capital in manufacturing between 1983 and 1992, with a staggering 31 billion US dollar in 1992 alone.

For the last decade China's GDP grew annually at over 10 per cent and culminating in 1992 with an overall growth of a stunning 12.8 per cent, with parts of South China (Guangdong and Fujian) hitting nearly 40 per cent. A World Bank report predicts that China will be the largest economy of the world by 2010, and together with Taiwan and Hong Kong will surpass the US in the next decade.

China's industrial production (42 per cent of GDP) grew in 1992 by 21 per cent and agriculture (24 per cent of GDP) grew by four per cent while inflation was seven per cent. The proportion of industry to agriculture in the GDP shows that China has graduated from an agricultural to an industrial economy. Trade continues to be an engine of growth; in 1992 exports rose 19 per cent to 85 billion US dollar while imports grew by 26 per cent to 80.6 billion US dollar. In 1991, China had a savings rate of nearly 40 per cent of GDP.

The 1990 GDP for East Asia was 940 billion US dollar with the official figure for China's 1990 GDP being 370 billion US dollar; however, an IMF report released in 1993 has taken into account China's internal pricing system (e.g. virtually free housing, education and medical treatment, subsidised energy and transportation etc) and has estimated China's real GDP for 1990 to the 1,700 billion US dollar making it the third largest economy in the world surpassing Germany's GDP, and bringing East Asia's GDP to 2.3 trillion US dollar. One should note that the comparative pricing of different countries is a well known subject and the IMF's belated realisation of this is probably a politically motivated decision since it could be used as a pretext to block China's exports to the Western markets.

There are three main reasons behind China's stupendous economic growth. Firstly the existence of a powerful political leadership as embodied in the Communist Party of China able to fully exercise its sovereignty over Chinas' chosen path of development. Secondly Chinas' success in harnessing the newly emergent overseas Chinese capital in East Asia. The main investor in China as a group is by far overseas Chinese capital accounting for 70-80 per cent of all direct foreign investments; this form of investment is an instructive example of South-South cooperation. Overseas Chinese capital gets the most lucrative economic deals and are politically the most non-threatening to China. And lastly the infusion of Japanese and Western technology has upgraded the technical level of China's economy and allowed for backward integration.

South Asia, India

After China, the second most important region on the Third World due to its enormous population of 1,100 million is South Asia. The table below summarises some of the key economic indicators of this region.

Key Economic Indicators of South Asia 1991

	GNP	Imports	Exports	Total Trade	External Debt	Population
				(In Billion US Dollar)		(Million)
Bangladesh	22.5	1.7	1.3	3.0	10.8	116
India	295.0	19.5	14.0	33.5	70.0	850
Pakistan	42.7	5.3	4.6	9.9	19.5	116
Shri Lanka	8.0	1.9	1.6	3.5	5.3	18

The most important Third World country after China is India; the 1991 GNP of India of around 300 billion US dollar, when calculated with adjustments for local pricing comes to approximately 900 billion US dollar which is almost the GNP of France. In 1992 India had a total trade of 42 billion US dollar (24 billion US dollar imports and 18 billion Us dollar exports) and Pakistan's total trade increased to 16.7 billion US dollar (9.6 billion Us dollar imports and 7.1 billion US dollar exports). In 1992 India's external debt increased to 72 billion US dollar and foreign exchange reserves stood at 6 billion US dollar. If India's economy does not take-off, it is in the danger of falling in the debt trap "Latin American style."

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