

US urges Japan to help cut huge trade imbalance

TOKYO, Oct 7: With tough trade issues like autos, construction and farm trade on the table, US Ambassador Walter Mondale urged Japan Thursday to do its part to help cut the huge trade imbalance between the two nations, reports AP.

In the next few weeks, Japanese and US negotiators will be tackling ranking trade issues as they prepare for formal talks aimed at slashing Japan's chronic trade surplus with the United States, which reached 50 billion dollar last year.

Washington also wants Japan to further open its construction market to foreign firms and to help along stalled multilateral trade talks by agreeing to a proposal to replace quotas with tariffs on farm trade.

In his first news conference since arriving in Japan on September 14, Mondale said the Clinton administration had fulfilled its pledges to improve its export competitiveness by

enacting or proposing measures to cut the federal budget deficit, improve productivity, reform health care and streamline government bureaucracy.

"The United States is doing its part to solve its economic problems," the 65-year-old former vice president said. "In turn, we look to Japan for progress on its own economic agenda."

"It is urgent that we correct the economic imbalances between us... Our two nations have a global responsibility to promote economic growth and open markets worldwide."

Mondale's appointment as envoy to Japan was hailed here as a welcome sign of respect and sincerity on Washington's part. Mondale emphasised the constructive nature of relations between the two nations, stressing that the United States regarded Japan as an equal partner.

"We are in fundamental agreement on foreign policy and

security issues and we are co-operating on a full spectrum of global issues," he said. "I am unaware of any commitments they have made that the government has not implemented."

During the next few weeks, however, officials will be working on agreements on several divisive trade issues, including government procurement, autos and auto parts, regulatory reform and intellectual property protection.

As part of a July pact to implement a new "framework" of economic relations, the two sides agreed to seek agreements on autos, government and access for foreign insurance firms by early 1994.

Japan's construction market is another area of controversy. Washington has threatened to levy sanctions against Japanese firms in November if its demands for a complete opening of bidding on Japan's public works projects are not met.

Mondale said he believed there was still time to avert

sanctions, but he didn't rule them out.

Japan has recently loosened some restrictions on bidding, but kept others. A slew of arrests on charges of bribery and bid-fixing in public works projects has reinforced US suspicions that foreign firms are being locked out of the Japanese market.

Mondale said the Clinton administration was looking to Japan to help along a long-delayed agreement on international trade rules under the General Agreement on Tariffs and Trade by agreeing to farm trade tariffs.

He expressed sympathy for Japanese rice farmers, who are now ramping their worst harvest in ears due to an abnormally cool, wet summer.

Poor yields have forced the government to relax restrictions to allow emergency rice purchases overseas, but Tokyo has said it does not plan to lift its ban on rice imports.



Traders negotiate a deal at the Hong Kong Stock Exchange Wednesday as the blue-chip Hang Seng Index gained 172.09 points or 2.2 per cent to close at 8,041.57. It was the first time the index breached the key psychological ceiling of 8,000 points. — AFP photo

India to introduce multi-entry visa facilities

NEW DELHI, Oct 7: India has decided to introduce multi-entry visa facilities extending up to five years and payment of fee by credit, card and cheques in order to remove irritants for foreign visitors, reports Xinhua.

Local press "National Herald" today quoted sources to the tourism ministry as saying that facilitation committees would be set up at the airports an facilities for changing money in hotels and other tourist establishments would be extended to help the visitors.

The sources said that the state governments were being advised that they should immediately check haphazard development and uncontrolled building activities which had threatened the environment and ecology of areas of tourist importance.

The sources said that the state governments had been asked to identify at least one monument in their states which could be developed as a world class attraction.

Beijing's trade with Alma Ata slumps

BEIJING, Oct 7: China's trade with Kazakhstan has slumped because of restrictions by the former Soviet republic, Beijing's ambassador to Alma Ata said, reports Reuters.

Bilateral trade last year was 369 million dollar, with China posting a surplus of 87 million dollar, Chinese customs figures show.

But volume in the first half of this year slumped by 50 per cent because of measures imposed by Kazakhstan, Ambassador Zhang Deguang was quoted as saying by International Business.

These included payment of export duty in foreign exchange on 18 kinds of raw materials from Kazakhstan, an additional levy at one major trading post and a tougher licensing system.

Zhang said Kazakhstan imposed the measures because it wanted to change the economic status it had within the Soviet Union, as a producer of raw materials which relied for 80 per cent of its manufactured goods on other republics.

It wants western capital and technology to process its raw materials instead of exporting them unprocessed to China.

WB likely to offer global mark bond on regular basis

FRANKFURT, Oct 7: The World Bank is likely to offer global mark bond issues on a regular basis, probably at a rate of two a year, as it does with US dollar and yen global bonds, executives said, reports Reuters.

"We think it will be important to come to the market relatively regularly... we foresee in the coming years steady demand for Deutsche mark funding," said Hans Rothenbuehler, senior manager of World Bank financial operations.

If the global concept in mark is successful, there would be little justification for continuing to issue smaller, straight public mark bonds, he said.

He made the remarks at a presentation before the likely launch of the bank's first global mark issue in late October.

But structured financings, or private placements with special features, would remain a part of the bank's mark financing programme, he also said.

Japanese companies take steps to slash labour costs

TOKYO, Oct 7: Japanese companies are stepping up efforts to slash labour costs, and workers used to lifetime employment are bracing themselves to ensure they can hold on to their jobs, reports Reuters.

"The number of managers' meetings has increased in the past months at my office to encourage cost-cutting efforts," said Kazuko Kobayashi, 43, working for a subsidiary of a trading house.

"Management cut our overtime pay, so I must work after five for free."

However, Kobayashi, who is married with no children, said she was lucky to have a job. "The newspapers have reported that many companies are cutting part-time workers and middle-aged executives but I feel I'm safe at least for now because I'm a full-time employee."

Two years of recession in Japan has forced blue-chip companies here to lop capital

spending, curtail new graduate recruitment, manufacture more abroad, transfer surplus employees to subsidiaries and encourage early retirement.

Hit by the upsurge of the yen and unseasonably cold summer here this year, Japanese companies' woes have worsened.

Last week, Victor Co of Japan Ltd (JVC) said it would reduce its workforce by 2,000 to offset a huge earnings loss this financial year. The total workforce at JVC, the audio and video electronics giant, stands at about 15,000 employees including 700 part-time workers.

Mazda Motor Corp also said last week it would cut 3,000 jobs from its 30,000 workforce by March 1996 as it expects the high yen and sluggish economy to knock its earnings deeper into the red until 1995.

Toshiba Corp, Nissan Motor Co Ltd, Honda Motor Co Ltd, Nippon Telegraph and Telephone Corp and Oki

Electric Industry Co are among the other companies forced to cut staff.

NKK Corp and Sumitomo Metal Industries Ltd tried another approach — by mandating extra days off each month at reduced pay.

An industry analyst said the move was aimed at demonstrating how bad things are for steel firms these days.

Japan's workers have grown used to lifetime job security and any move to change that will shatter traditional trust between Japanese management and labour, said an official of Japanese Electrical Electronics and Information Union (JEEIU), a labour group.

But several analysts argue corporate Japan may have to take even more drastic measures in the next few years to survive slower growth and economic restructuring.

Israel keen on French investment

PARIS, Oct 7: Israeli Finance Minister Avraham Shohat on Wednesday called on French business leaders to invest in the Jewish state, saying there were virtually no limits to economic possibilities in peace-time, reports Reuters.

"We believe a lot in the peace process because if there is peace, the (economic) potential is almost unlimited," Shohat told the Franco-Israeli chamber of commerce.

With 6.5 per cent gross national product (GNP) growth in 1992 and an expected minimum 4.5 per cent growth this year, he said Israel's performance in the last two or three years was better than developed Western economies.

Exports rose 13 per cent two years in a row and last month's Israeli-Palestinian peace accord meant even better performance ahead.

He added that for the first time, cautious Japanese industries were starting to invest in Israel, especially in research activities.

China returns investors' money in bond scandal

BEIJING, Oct 7: Authorities said Thursday they have reimbursed nearly in full most of the investors in an illegal bond scheme that has turned into one of China's biggest financial scandals of recent years, reports AP.

More than 100,000 people nationwide bought bonds issued by the Great Wall Machinery and Electronics High-Tech Industrial Group Corp, attracted by favourable publicity in the official media and an offer of 24 per cent interest — more than double the return from banks and treasury bonds.

But in March, the government froze Great Wall's bank accounts and arrested its chairman on charges of fraud and embezzlement. Authorities have since arrested a deputy minister and other high-level officials who allegedly approved the Great Wall bond issue, as well as several Chinese journalists who wrote favourable articles about the company, purportedly in return for bribes.

The case triggered a small protest in June by angry investors. But the impact went much deeper: Great Wall's collapse shook a widespread notion that buying stocks and bonds offered quick riches to ordinary people.

The Great Wall case was a good lesson which taught those who want to buy shares and bonds that they must have knowledge of finance and securities and must be aware of the risks they face," Xinhua said, quoting an unidentified official who led the investigation into Great Wall.

Investors in Beijing contacted privately said they were refunded several weeks ago.

The Xinhua report noted that some investors are skeptical of the official account that Great Wall misused their funds, and believe there would have been no problem if the government had not shut down the company.

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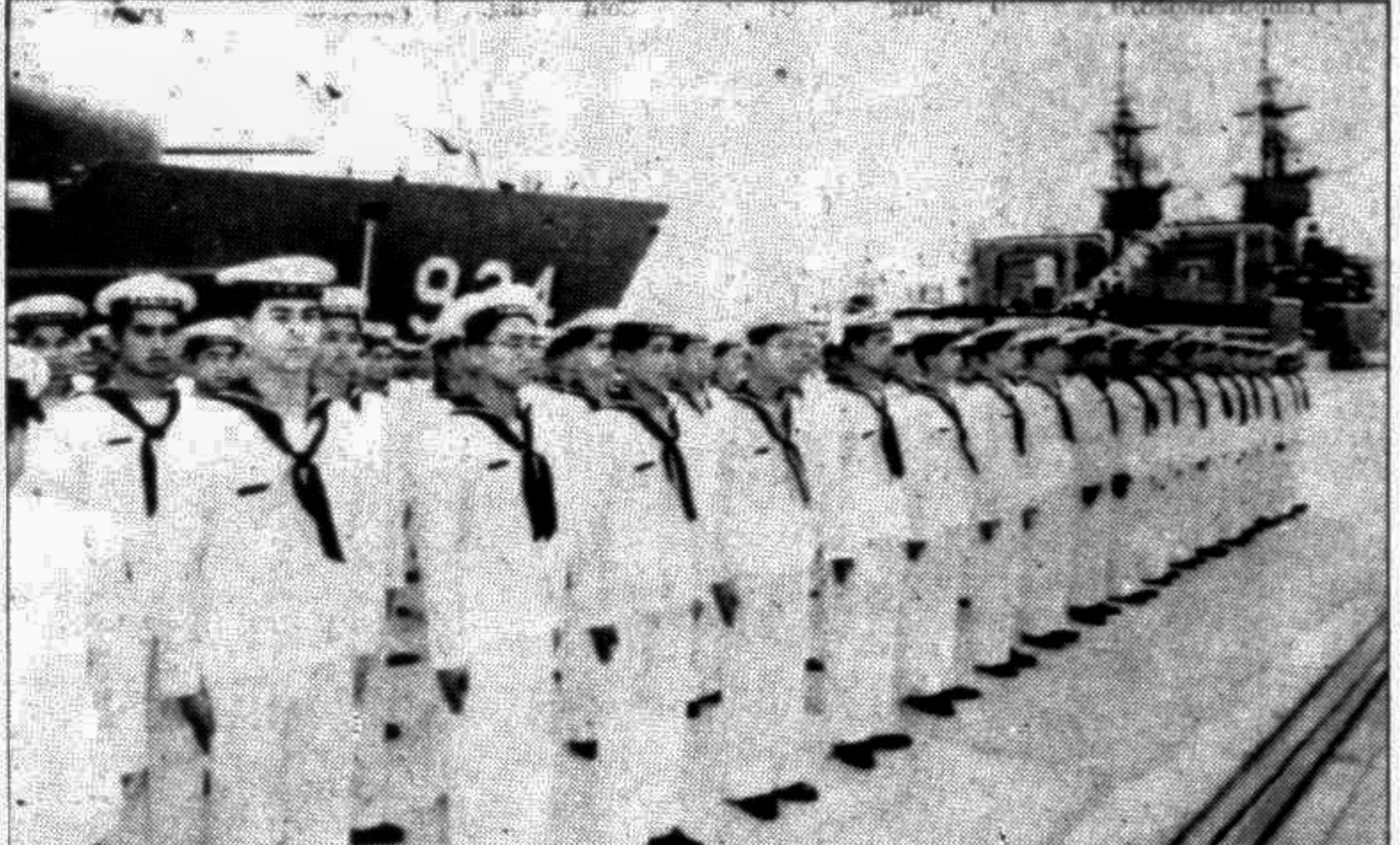
Iran seeks economic help from S Korea

SEOUL, Oct 7: Iran urged South Korea Thursday to help it economically, citing its free trade zone under construction near Hormuz as an example of development efforts, official said, reports AP.

All Akbar Velayati, the first Iranian foreign minister to visit Seoul since the Islamic revolution in 1979, said Iran needs 15 billion dollar to build the infrastructure needed to make the zone viable. Foreign Ministry officials said.

South Korean Foreign Minister Han Sung-joo stressed economic and diplomatic cooperation between the two nations, they said.

Han told Velayati that North Korea should stay in the Nuclear Non-Proliferation Treaty and open its nuclear facilities to international inspections, they said.



Taiwanese Naval servicemen stand to attention Wednesday before boarding three Knox-class frigates which were commissioned by the Taiwan Navy at Tsoying naval port in southern Taiwan. The US leased the three ships to Taiwan for five years at a total cost of 236.1 million US dollar. — AFP photo

Guangdong tightens foreign workers hiring procedures

BEIJING, Oct 7: China's booming southern province of Guangdong has outlined new procedures for hiring overseas workers in a bid to shut out unskilled job-seekers, the China Daily said Wednesday, reports AP.

Under a new joint circular issued by the provincial labour department and public security department, Guangdong's employers will require labour management department approval for hiring overseas residents, including those from Taiwan, Hong Kong and Macau, the newspaper said.

"Mediocre job applicants with no management knowledge or working skills, will be carefully scrutinised before being allowed to enter the Guangdong job market," the circular said.

Lanka estimates '94 budget spending at \$ 2.7 b

COLOMBO, Oct 7: The Sri Lankan government estimates 1994 budget spending at 133 billion rupee (2.7 billion dollar), down from a projected 196.7 billion rupee this year, according to government figures, reports Reuters.

According to the appropriation bill, up to 69 billion rupee of this expenditure will be raised through local and foreign loans.

The balance would be met from unspecified government funds, the bill said. An advance copy of the budget estimates, to be presented to parliament on Friday by State Minister of Finance Harold Herat, was obtained by Reuters today.

It does not give revenue or deficit figures as in the past. On November 10, Herat will explain in Parliament how the government intends to bring the gap

between spending and revenue. Revenue in 1993 was projected at 105.2 billion rupee and the deficit 91.5 billion rupee.

The 1994 estimates show the greatest proportion of spending will be on defence, at 20.4 billion rupee, some 3.3 billion rupee higher than was estimated for 1993.

A report in the state-run daily news today gave the same figures for defence.

However, final expenditure on defence this year is expected to exceed 20 billion rupee, finance ministry sources said.

The 1994 budget estimates show the army, navy and the police together spending 13 billion rupee on military operations against Tamil separatist rebels, state security operations and maintaining public order.

Asian stock markets close mostly higher

HONG KONG, Oct 7: Asian Stock markets closed mostly higher Thursday, with Hong Kong's key index closing at a record high for the fifth day, reports AP.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, rose 25.22 points, or 0.3 per cent, closing at 8,066.79.

Brokers said investors remained confident about the economic future of Hong Kong despite the Sino-British row over political reform in the territory, which reverts to Chinese rule in 1997.

They said that although Hong Kong Governor Chris Patten warned China Wednesday that he wanted agreement soon on his democratic reforms for the colony, he stopped short of setting any deadlines.

(First part of the third instalment)

There have been seachanges in the global economic and political arena during the last decade. The most significant economic change has been the eclipse of the United States by Japan and Germany as the most powerful and productive economies of the world. This has been discussed at length in my article 'Contemporary Forms of International Capital'. The most significant political development during this same period has been the collapse of the Soviet Union, and the forces that this collapse has unleashed in the global political arena.

In this article I discuss the political realignments that are taking place due to these far-reaching economic and political changes.

Collapse of the Soviet Union

The Cold War period (1945-1990) was characterised by an all pervasive rivalry between the US and USSR. The US subordinated its economic competition with Germany and Japan to its global policy of opposing all forms of communism and Third World anti-imperialism; economic access to the US market was used as a political instrument, and in particular trade friction with western Europe and Japan were always muted to suit the anti-Soviet alliance. This created an environment which allowed for the unfettered growth of the German and Japanese economy while the US

Political realignments in the nineties

By Belal E Baaquie

heavily invested its precious economic lead in developing its military technology. In retrospect it seems that the chief beneficiaries of the Cold War were the vanquished of the Second World War.

The collapse of the Soviet Union has radically altered the global political equation with the US emerging as the sole military superpower. The nineties is witnessing the unravelling of politics based on the Cold War, in particular of the western Alliance against the erstwhile Soviet Union. The rivalry between a resurgent Europe and the US is coming to the fore as well as a new assertiveness of Japan vis a vis the US; since the US is no longer constrained to maintain an anti-Soviet alliance it can be expected to be far harsher in the treatment of its economic competitors, in particular of EEC and Japan. The trade relations between the US, Europe and Japan are bound to deteriorate with the real possibility of a trade war between the competing economic trade blocs.

In the post-Cold War environment, there is no logic for a huge weapons industry and military establishment with yearly expenses estimated at 900 billion US dollar and dominated by US weapons producers which account for almost 50 per cent of the world's weapons trade. The political efforts to cut

weapons purchases will run into resistance from the powerful arms manufacturers. A situation of military conflict or confrontation, specially in areas such as Central, West and South Asia, which from the western point of view are politically containable, would be 'good business' for the arms industry.

The US in the post Cold War period enjoys overwhelming military superiority; however to translate this into tangible economic gains is going to be difficult. In the era of European colonialism military might was the basis of political control exercised for the economic gain of the colonizing power. It is estimated that during the eighteenth and nineteenth century Britain obtained almost 25 per cent of its total revenues from its colonies and which provided crucial impetus to its industrialisation.

The situation in the late twentieth century is very different. The Third World countries account for less than 20 per cent of the world market; the price of raw materials from Third World countries are constantly falling against high value-added consumer and capital goods. The economic benefits from exercising control over the developing countries is going to yield quantitatively unimportant returns; the main exceptions are the oil-rich economies of the East. The

former line of thought will lead to political chaos not only in India but all of South Asia while the latter option is clearly the road to economic prosperity.

Middle East

The Middle East is vital to the West due to its oil resource; the Iran-Iraq war, the Gulf War, the continuing Israel-Arab conflict, the oppression of the Palestinian people etc. all create a situation of instability which ultimately creates a basis for western intervention; it also creates a cash-rich market for the arms industry. A new dimension to this conflict is the rise of a fiercely anti-West form of Islamic political power as in Iran and Sudan which has the potential of radically altering the balance of power in the Middle East.

The recent breakthrough in the PLO-Israel agreement for some form of self-rule for the Palestinians augers well for the future. However, given the oil wealth of the Middle East, it will continue to be a center of turbulence and instability during the nineties.

Europe

The emergence of a unified western Europe in the form of the EEC is the most significant political and economic development for Europe since the Second World War. Unlike the

one of the independent centers of global power. The Franco-German-Italian alliance has tipped the balance of power in Europe away from the North Atlantic oriented and US dominated erstwhile anti-Soviet axis to the current Euro-centered EEC.

The disintegration of the Soviet Union and the reunification of Germany has also shifted the centre of power in Europe away from a balance between France and Germany to an overall commanding position for Germany, making it the pre-eminent European power; it remains to be seen how the French will react to this change of fortune and is a possible fault line in European unity.

The attention of the EEC is presently focused on East Europe, specially towards the opportunities and hazards created by the collapse of the Soviet Union.

East Europe and Russia face an up-hill task of modernizing its economy and stabilizing its nascent political system; it is just beginning to experience the harsh realities of a market economy and is faced with potentially explosive regional and ethnic conflicts. The ex-Soviet bloc members are up against an increasingly protectionist EEC which is also closing its doors to any form of mass migration from East Europe. The prospects for East Europe look

grim, with little scope for prosperity in the near future.

If the economic recovery of the ex-Soviet bloc takes place, this would open-up great opportunities for the expansion of western capital. The collapse of the Soviet Union has also created new dangers for western Europe since it is very likely that Russia will slide into chaos and anarchy and give rise to an avalanche of refugees engulfing Germany and western Europe.

Due to its geographical location and great economic strength, Germany stands to gain the most from a prosperous East Europe and Russia; it has provided 60 per cent of all loans to Russia and is already the largest trading partner of East Europe (15 billion US dollar with Poland, Czechoslovakia and Hungary in 1992). In the next ten years, after a period of instability and economic hardship, Germany together with the EEC countries will most likely become the dominant power in all of Europe as well as in Russia.

(Part ends)

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