The Paily Star

Best with the views

## UAE applies for GATT membership

ABU DHABI, Mar 11: The United Arab Emirates (UAE) has joined other Gulf states in seeking membership of the General Agreement on Tariffs and Trade (GATT), the official news agency WAM reported on Thursday, reports AFP.

It quoted a GATT statement as saying the UAE had applied for membership in the hope this will benefit its economy following the December GATT deal.

· Kuwait and Bahrain are the only Gulf Cooperation Council (GCC) states that are GATT members while Saudi Arabia has applied for a membership. The other two GCC nations --Oman and Qatar - are expected to follow suit.

Trade accounts for more than 70 per cent of the GCC economies and the six members have been negotiating with their main economic partner the European Community for an agreement on a free trade zone.

According to the state-run emirates industrial bank, the GATT accord will open new markets for GCC petro-chemical exports, the main issue in the Gulf negotiations with the

"Raising the export quotas within the GATT accord will have a large positive impact on the ability of Gulf petro-chemicals to compete in world markets," the bank said in a recent study.

WAM quoted the GATT statement as saying the UAE's exports, mostly oil and gas, stood at 21.6 billion dollars in 1992 and import at 16.6 billion dollars. The UAE planning ministry estimated the exports at 23.9 billion dollars in 1993 and imports at 20.8 billion dollars.

### US unemployment claims rise

WASHINGTON, Mar 11: The government on Thursday reported an increase of 32,000 in the number of Americans seeking unemployment benefits for the first time, reversing much of the previous week's sizable decline, reports AP.

The Labour Department said a seasonally adjusted 346,000 people filed initial claims, during the week ended March 5. That was up from 314,000 the previous week, when the number of first-time applications dropped by 61,000. The figure for the week ended February 26 initially was reported at

Analysts expected the rise, noting that the previous week included a holiday. The increase also was an indication of the lingering effects of winter weather in the Northeast and Mideast. Analysts also believe residual effects of the California earthquake are represented in the figures. They note that those factors have made it difficult for government statisticians to adjust the figures for normal seasonal factors.

The weekly figures have shown wide fluctuations in recent weeks, but economists say job markets are continuing to show improvement. The February unemployment rate, reported last week, dropped an unexpected two-tenths of a per cent to 6.5 per cent.

## Japan to use 30,000 tonnes of govt rice to overcome shortage

TOKYO, Mar 11: Japan will use 30,000 tonnes of rice from government reserves to tide the country over its current shortage of foodgrain, said an official of the Food Agency, an arm of the agriculture ministry, reports Reuter.

Japan's projected availability of rice for march is a total of 500,000 tonnes, of which an estimated 240,000 tonnes are domestic rice, Food Agency official Junshi Umetsu told a news conference.

The announcement that Japan would dip further into government reserves came after Japanese consumers frightened that domestic supplies were disappearing, besieged rice shops in a wave of panic buying this week.

"This should people's minds at ease and end the hoarding of rice," Umetsu said. He added that a shipment of Chinese rice would arrive this week to help relieve the short-

The government has been criticised by consumers and farmers for not stockpiling enough rice to offset shortfalls stemming from the country's worst harvest since World War Two.

# Saifur urges WB to resume power sector operations

He said that while the per-WASHINGTON DC. Mar 11 formance of the power sector Bangladesh Finance Minister had to be improved to an ac-M Saifur Rahman met the ceptable level and that the World Bank President Lewis government was struggling to Preston on Thursday and disovercome a long established cussed with him, besides genculture of leakage and maleral development issues, the practice, it was time, in the in-International Development terest of achieving results of Agency's (IDA) programmes reforms, to take a more balrelated to Bangladesh, reports anced approach not to deter potential investors from shying Saifur who is also the curaway due to lack of energy serent Chairman of the World curity. He urged the bank to Bank and IMF argued that the

Bank's suspension of opera-

tions in the power sector ran

contrary to the objectives of

macro-economic and sectoral

reforms which were intended

to lead Bangladesh to higher

opens to the public from March 10 to 20.

WASHINGTON, Mar 11: The

US Agency for International

Development (USAID) has

signed an agreement establish-

ing a new, \$100-million fund

to provide urgently needed

support to the emerging

Russian private sector, says a

(FLER), it represents the prin-

cipal US contribution to the

Special Privatization and

Restructuring Programme

agreed to by President Clinton

and other leaders of the Group

of Seven (G-7) major industrial

countries at the Tokyo

Economic Summit in July of

United States, Japan, Ger-

many, France, Canada, the

United Kingdom and Italy.

The G-7 consists of the

FLER will take equity posi-

tions and offer loans, technical

assistance and training to

Known as the Fund for

USIS press release.

last year.

investment and growth

ation as soon as possible. The World Bank President, while noting achievements in Bangladesh's stabilization and liberalisation programme, expressed deep concern at the

Two car models sit inside the prototype of a new study by Japanese car maker Mitsubishi

Motors at the 64th International Geneva Auto Salon in Geneva Wednesday. The car show

USAID signs accord to support

Russian private sector

make the transition from

state-owned to private-sector

directly or in conjunction with

commercial banks. In addition

to the initial \$100-million

FLER capitalization, another

\$25 million from the G-7 Spe-

cial Privatization and Restruc-

for possible use with mul-

"In the United States, viable

private-sector businesses have

ready access to capital through

various banks and capital mar-

kets," Assistant USAID Admi-

nistrator Thomas Dine said at a

signing ceremony in the

Department of State March 9.

"In Russia, however, their

emerging private sector has

very limited - if any - access to

these same types of resources

which are necessary to fund

innovative Russian en-

trepreneurs. The success of

tilateral equity funds.

Loans may be offered either

enterprises.

Large Enterprises in Russia turing Programme is reserved

resume its power sector oper-

shortfall in the implementa tion of the development programme and projects, he im pressed upon the Finance Minister the urgent need to improve Bangladesh's implementation performance and continuation of the reform programme to ensure external support. He also emphasized the need to put in place a well conceived safety-net programme to protect the vulnerable groups as reforms con tinue. He thanked Saifur for

the free and frank discussion. Saifur met the International Monetary Fund (IMF) Managing Director Michael Camdessus on Wednesday. IMF Managing Director congratula-

- AFP photo

Eduard Malayan, senior

counselor at the Russian

Embassy in Washington hailed

the agreement as "an impor-

tant step in forging a new rela-

tionship" between Russia and

at the signing ceremony by

Rostislav Konyarev, first secre-

tary of the Russian Embassy for

manitarian aid, and Vadim

Udalov, first secretary for eco-

US secretary of the treasury in

the Carter administration who

is currently a limited partner

in the investment banking firm

of Lazard Freres and Company

in New York city, has been

named by President Clinton to

chair the FLER board of direc-

will bring with it resources

Blumenthal said the fund

Michael Blumenthal, former

technical assistance and hu

Malayan was accompanied

the United States.

nomic affairs.

tion Bangladesh on the successful implementation of the Enhanced Structural Adjustment Facility (ESAF) and said that this demonstrates to other countries how success could be achieved by determined effort and sustained commitment to reform

Camdessus emphasized that there was no room for complacence and Bangladesh must take the reform programme to its logical conclusion to realize the country's full economic potential. In the hour-long meeting, a wide range of issues were discussed, in addition to the possible future areas of collaboration with the IMF.

## US govt bank plans \$ 245m loan to Russian oil industry

WASHINGTON, Mar 11: The US government's Export-Import Bank said Thursday it is ready to finance a 245 million dollar loan to help the Russian oil industry, reports

The loan would be the bank's largest to Russia so far and its first under a two billion dollar programme to push oil and natural gas production there.

The loan would be to Permneft, a state-owned company in the district of Perm on the eastern slope of the Ural Mountains. The U.S' government bank would guarantee the five-year loan from a private bank, not yet selected The Russians would use the money to buy 271 million dollar worth of equipment from U.S suppliers.

## Northrop offers \$ 60 per share for Grumman

NEW YORK, Mar 11: Northrop Corp bid 60 dollars per share for Grumman Corp on Thursday, besting an offer from Martin Marietta Corp. as two of the US defence industry's biggest companies try to

get bigger, reports AP. The offer puts a 2.04 billion dollar value on Grumman and could set off a bidding contest that Martin Marietta had said earlier it wanted to avoid. Before Grumman agreed to the Martin Marietta offer, Northrop and Grumman had previously discussed a buyout of at least 50 dollars per share.

Northrop said it believes the agreement between Grumman and Martin Marietta is illegal, claiming that Grumman directors have an obligation to seek the highest possible price.

Northrop Chairman Kent Kresa said the company would recommend that it's shareholders change " company's

## Donors pledge \$ 773 m aid to Cambodia

TOKYO, Mar 11: Major donor nations pledged a total of 773 million dollars in emergency aid to Cambodia today after an international meeting highlighted the country's ongoing war against poverty. land mines and banditry, reports Reuter.

With the war over. Cambodia is struggling to build up its pledging economy almost from scratch.

"It would have been in vain. in fact, to have considered as global" any peace process which did not address the rehabilitation and reconstruction of Cambodia," first Prime Minister Prince Norodom Ranariddh said in his closing speech.

The second International Committee on the Recon struction of Cambodia (ICROC) grouped 31 donor nations and 12 international. The next meeting will be held in Paris in 1995.

Participants said the dollar dollar 773 million figure had been inflated by re-pledging of funds committed at two previous meetings on Cambodia

in Paris and Tokyo, but which had not yet been disbursed.

Previous pledges include 880 million dollars promised at the Tokyo meeting in June 1992 and 119 million dollars at the first ICROC in Pairs last September.

Of the dollar 773 million total, dollar 486 million was earmarked for 1994, 271 million dollars for 1995 and an additional 14.7 million dollars for land mine clearance.

Donor nations heaped praise on the economic achievements of Cambodia's new government,' formed after last May's UN-sponsored elections, Inflation has tumbled while tax revenues have risen and the exchange rate has stabilised.

The meeting underscored Cambodia's struggle to overcome two decades of war and revolution.

"Questions remain.... regarding the security, economic and financial stability of the kingdom," said first Prime Minster Prince Norodom Ranariddh.



Homeless women gather outside a mosque Thursday on the last day of distribution of 30 tonnes of United Nations emergency food aid in northwest Kabul in the hope that although unregistered as resident in Kabul they may obtain some benefit by offering their identity cards. The UN World Food Programme (WFP) is currently negotiating with Afghan Prime Minister Gulbuddin Hekmatyar for permission to allow more emergency food convoys into Kabul, where factional fighting now in its tenth consecutive week, has caused immense hardships for civilians. - AFP photo

#### and assistance needed to make these new capitalists is critical Russian companies of between name to North-rop-Grumman if private-sector Russian firms to the free-market reforms in 1,000 and 10,000 employees the buyout is completed. that already have or soon will more competitive. US-Japan trade dispute and related aspects—part one

US President Clinton's first summit with Japanese Prime Minister Morihiro Hosokawa on February 11 '94 in Washington was clouded by a stubborn trade dispute that threatened to push the two nations into a new, more acrimonious relationship. The summit was scheduled under the "framework" agreement signed in Tokyo in July 1993 by President Clinton and former Japanese Premier Kichi Miyazawa, an accord that aimed at trimming a Japanese trade surplus with the US that had risen to 59.4 billion US dollars last year. The first of a series of bi-annual meetings, the summit was to review progress on opening Japanese market for US products in four areas; autos and auto parts, insurance, medical equipment

and telecommunications. The sticking point was conflicting interpretation of language in the accord that called for "objective criteria" to be used in evaluating progress. Washington insisted on quantifiable measures of progress on the opening of these markets. Tokyo rejected that approach as "managed trade" suggesting it would permit the US to establish import targets for its products in Japan. Tokyo insisted that numerical targets constitute managed trade and run counter both to free-trade principles and to Hosokawa's election pledge that the government would

meddle less in Japanese econ-

omy. US has indicated of taking actions against Japan after the talks have falled. Among the probable actions, one was sanctioned on Japanese telecommunications exports, and another was the revival of Super 301 through presidential executive order, an expired law that required the US administration to single out countries for possible retaliation if they were found engaging in unfair trade practices. Japan also intends to retaliate if such actions are taken against her.

## Major Factors Affecting US-

Japan Economic Relations: For nearly four decades, the relationship between Japan and the United States stood as a great success story. In a remarkably brief time, the two countries passed from bitter conflict to close alliance. The rise of common adversary, the former Soviet Union, was a key factor. But the relationship came to be much more than a security alliance. The two nations developed an unprecedented degree of economic interdependence, of great benefit to both. And despite deep differences of culture and history, the two countries have come to share a set of political values about how nations should behave towards each other and how governments should behave with the people they govern. In the Cold War era. Japan used to accept all sorts of major economic, polit-

by Nasim Ahmed ical and military advice offered by the US. But with the end of the Cold War era, Japan is gradually becoming assertive and taking independent decisions in economic, political and military affairs.

Why is the relationship now so charged with economic friction, political tension, and, if opinion polls are accurate, growing mutual disenchantment, at the public level in both the countries?

A partial explanation lies in

the changed global environ ment. The end of the Cold War removed some of the old glue of the alliance. Japan's economic rise particularly within Asia, altered the architecture of the relationship. No longer so dependent on the American security shield, and eager to play a larger political role in Asia, Japan has begun to define its interests and set its policies with less regard to the United States. Tokyo's flirtation with membership in the Malaysia sponsored East Asian Economic Caucus from which the United States would be excluded, and its coolness to American enthusiasm for the Asia-Pacific Economic Cooperation forum are two examples of Japan's willingness to pursue a course apart from, even opposed to the United States.

But more fundamentally the problems in the US Japanese relationship result from internal conditions in the two countries. The United

States has become preoccupied with its domestic condition. The economy is performing better than in recent years, but the public mood remains sour. In the last 20 years Americans have suffered declining real wages, stagnant family incomes, rising crime and growing anxiety about economic and personal secu-

Politically, the internationalist coalition that sustained American foreign policy through World War II and the Cold War has disintegrated and the United States has yet to find a fresh consensus about its role and responsibilities in the world. President Clinton seems to be an outward-looking leader, at least on international economic issues that are linked to his domestic goals. But he is heavily focused on a domestic agenda and depen dent on inward-looking political constituencies.

The Changes in Japan are equally profound. The economy is marred in the most severe recession since 1949. There is a growing recognition that the problems are more than just a cyclical reaction to the excesses of the 'bubble economy' of the late 1980s. in a real sense, the crisis is.

structural, even institutional. In its postwar drive for economic modernization, Japan developed an economic system biased towards savings, production and exports. Consumption was severely dis-

couraged. For years this system served Japan well. Two generations of Japanese willingly sacrificed their standard of living in the nation's interest. But Japan is now a mature economy with a very large role in the international economic system. Its well-being is more than ever dependent on the global economy and the performance of the global economy is more and more influ? enced by Japan.

The Japanese public, meanwhile has become much more worldly. As they travel more, people ask themselves why, if their country is so wealthy, they cannot live better. They have begun to realize that the answer to that question lies in the systematic bias against consumption. Since the 1980s, Japan has

had a large imbalance between savings and investment. This has increased as both consumption and private invest ment declined in the current recession. As economists know, an excess of savings over investment translates into a huge current account surplus, in turn producing strong upward pressure on the nation's currency. In a more flexible economic system, this would have led to increased consumption, reducing the overhang of savings and moderating the rise of the yen. In Japan, however, the bias against consumption has thrust a disproportionate share of the adjustment burden onto the

exchange rate, and the rising yen has driven the economy down further. Japanese firms have lost their competitive edge and now face the same pressures for restructuring that which American companies experienced beginning in the mid-1980s Unemployment has begun to

edge upward and could rise dramatically, at least by Japanese standards, if large corporations make a concerted urive to regain competitive-The cost in lost economic

growth has been enormous. The cost to the United States in terms of lost Japanese de-mand for American exports is also large. The political cost to the US-Japanese relationship is even greater. The same regulations, policies, corporate behaviour and public attitudes that create a bias against consumption make Japan far less accessible to foreign goods and foreign companies than is, for example, the United States. And therein lies the core of the political problem between the two countries. As long as Americans were not so concerned about their domestic conditions and the Japanese economy was smaller, the asymmetry of access between the two economies did not matter so much. Now it does.

(The writer is a Research Associate, East Asia and the Pacific Desk, Bangladesh Institute of International and Strategic Studies (BIISS).

To be continued

## Moscow wants to become GATT member soon

GENEVA, Mar 11: Russia's new Ambassador to international organisations urged member countries of GATT to show flexibility in considering Moscow's application to join the world trade body, reports Reuter.

Andrei Kolossovsky told reporters Russia, which formally applied in June last year. wanted to become a GATT member "as soon as possible" to help it integrate with the world economy after seven decades of communist

Trade diplomats say completing the process of considering the bid could take at least a year and may be much

Kolossovsky said he recognised there were technical and procedural limits on how fast the bid can be processed.

"But there is a view that Russia must first reach some ideal stage in its trade practices and legislation before entry. We feel this is not very productive," said Kolossovsky, a former acting Russian Ambassador to the United States.

"We hope for a realistic and flexible approach and an understanding that Russia's entry would be an instrument for US to create a real market system which is compatible with the world economy," he declared.

His remarks reflected Moscow concern, shared by some western and United Nations analysts, that a number of major trading states will insist that the old state-run economy be totally dismantled before they agree to Russia coming in.

## Stock market closes lower in New York

NEW YORK, Mar 11: Stocks sank Thursday as interest rates bobbed up in the bond market and investors lacked a compelling reason to buy, reports

Speculation about political problems for the Clinton administration stemming from the Whitewater inquiries unsettled the markets.

The slide in stocks coincided with a deterioration in the bond market where traders bid prices lower, which pushed interest rates up. Near the end of trading. the 30-year US Treasury bond was down 12.50 dollars per 1,000 dollar face value, driving up its yield to 6.94 per cent from 6.83 per cent late

Wednesday. 'Primarily, the stock market is coat-tailing the bond market,' said Greg Nie, a technical analyst at Kemper Securities.

Gains in gold prices sparked fresh inflation fears and undermined bonds. Nie said. Gold issues studded the lists of actively trading stocks on the New York Stock exchange and other markets.

Bond traders worry that the Federal Reserve will feel obliged to combat inflation by nudging up interest rates again. The central banks modest rate hike in early February was considered possibly the start of a gradual tightening in monetary policy to ward off inflation as the economy as pands.

Much of the selling in stocks and bonds reflected uneasiness amid rumours of developments in the Whitewater affair. Many of the rumours circulating in the financial community were regarded as highly implausible but they nevertheless had an impact.

## US economy expands moderately

WASHINGTON, Marc 11: The US economy expanded 'moderately" the first two months of 1994 despite unusually cold weather in the East and Midwest, according to a survey by the Federal Reserve, says a USIS press re-

The weather's chilling effect on some consumer spending, construction and energy markets is expected to be "largely temporary," according to the Federal Reserve's "beige book" released March 9. Published every six weeks

or so, the beige book synthesizes interviews with business. officials around the Unit States, in the most recent case between late January and February 28. The latest report was prepared for the March 22 meeting of the Federal Open Market Committee, the Federal Reserve's monetary policy making group