

US, Japan closer to resume trade talks

WASHINGTON, May 24: After three months of verbal sparring that upset financial markets around the globe, US and Japanese negotiators were wrapping up a compromise Tuesday that would allow them to restart market-opening trade talks, reports AP.

Both sides were very near an agreement that should be announced later Tuesday said a US official, who spoke on condition of anonymity.

The likelihood is great that there will be an agreement soon, this official said early Tuesday, while cautioning that last-minute snags could always develop.

The official said compromise language being negotiated included the Japanese acknowledging that measurable results were needed in each sector where the United States is trying to boost sales.

In exchange, the United States would assure Japan in writing that it will not rely solely on numerical targets in judging whether Japan is living up to its commitments, this source said.

The settlement will allow the United States and Japan to resume the so-called "framework talks" that were launched by both countries with much fanfare last July.

The framework accord was hailed by the Clinton administration as the start of a new results-oriented era in US-Japanese trade relations that would make a sizable dent in America's huge trade deficit with Japan. However, from the beginning, both sides argued over exactly what had been agreed to.

The differences became so great that the talks collapsed

altogether on Feb 11 at an acrimonious summit between President Clinton and then-Prime Minister Morihiro Hosokawa.

The dispute revolved around a US demand that any new market-opening agreements contain numerical benchmarks for measuring progress in boosting US sales. The Japanese blasted this approach as managed trade.

Negotiators from both countries have been working since last Thursday to find new language acceptable to both sides that would bridge the gap by calming Japanese fears that US demands would lead to market quotas while still answering the American need to be able to measure progress.

US Trade Representative Mickey Kantor told reporters Monday that the Japanese had

responded to proposals he had put forward a month ago in Morocco "in a very positive manner," while Commerce Secretary Ron Brown termed the fact the both sides were still searching for a compromise "a good and positive sign."

The Japanese delegation is led by Deputy Foreign Minister Sadayuki Hayashi. It is under orders from new Japanese Prime Minister Tsutomu Hata to search for ways to break the stalemate.

Once the dispute over the negotiating rules is resolved, both sides hope to reach specific market-opening agreements in time for the annual economic summit among the world's seven richest industrial countries. This year's summit is scheduled July 8-10 in Naples, Italy.

The administration has toned down its rhetoric in recent weeks in an effort to pacify financial markets, which earlier this month sent the dollar skidding to near-record lows against the Japanese yen. Investors feared that an all-out trade war might break out between the world's two largest economies.

A senior administration official, briefing reporters last week before the negotiations opened, said the US side was no longer insisting that all four of the initial sectors—autos and auto parts, medical equipment, telecommunications products and insurance—be completed by a specific date.

This official said US negotiators would be willing to move on to other, less contentious areas, in an effort to strike the first deals there.



Malaysian International Trade and Industry Minister Rafidah Aziz (R) shakes hands with visiting General Agreement on Tariffs and Trade (GATT) Director General Peter Sutherland at her office in Kuala Lumpur yesterday. Sutherland is in Malaysia to attend the 27th general meeting of the Pacific Basin Economic Council (PBECC).

Asian stocks close mixed

HONG KONG, May 24: Asian stock markets closed mixed Tuesday, with share prices rising in Tokyo for the fifth consecutive session, reports AP.

Tokyo's 225-issue Nikkei Stock Average finished at 20,622.12, up 53.41 points, or 0.26 per cent. On Monday, the benchmark index had gained 226.54 points, or 1.11 per cent.

The Tokyo Stock Price Index of all issues listed on the first section was up 1.41 points, or 0.09 per cent, to 1,655.62. It had gained 1.67 points, or 0.71 per cent, on Monday.

A rally at one point in the afternoon pushed the Nikkei average above this year's closing high of 20,677, set March 16, but profit-taking toward the end of the session eroded most of the day's gains, traders said.

Meanwhile, the US dollar closed at 104.47 yen, up 0.17 yen from Monday's finish and above its overnight New York close of 104.36 yen.

In Hong Kong, share prices closed lower for the second straight day.

The Hang Seng Index, the Hong Kong market's key indicator of blue chips, fell 99.67 points, or 1.0 per cent, closing at 9,490.11. On Monday, the index had slumped 41 points.

Brokers attributed the fall to continued profit-taking following sharp gains last week.

They said investors also were cautious ahead of a decision by the United States on whether it will renew China's preferential trading status this year.

TAIPEI: Share prices closed lower for the seventh straight session. The market's Weighted Index fell 4856 points to 5,769.12.

MANILA: Share prices closed mixed in busy trading because of profit-taking after two straight sessions of gains. The Philippines' unified composite index of 31 selected issues fell 20.19 points to 2,901.98 after Monday's 52-point gain.

SEOUL: Share prices closed slightly higher in improved trading. The Korea Composite Stock Price Index rose 0.39 points to 945.89.

SYDNEY: The Australian stock market closed higher for the third straight session because of continued demand for mining shares after a rise in metals prices. The All Ordinaries Index rose 11.5 points to 2,132.4.

SINGAPORE: Share prices closed lower on little buying interest. The 30-share Straits Times Industrial Index fell 36.45 points to 2,302.86.

KUALA LUMPUR: Malaysian share prices closed lower in thin trading in reaction to the overnight fall on Wall Street. The Kuala Lumpur Stock Exchange's Composite Index fell 11.84 points to 987.26.

Robbers make off with \$98000 from Thai bank vault

BANGKOK, May 24: Robbers made off with 2.5 million baht (about \$98,000 dollars) after tunnelling their way into a bank vault, police said Monday, reports AP.

The staff of a Thai Military Bank branch in Bangkok discovered the heist when they opened for business Monday morning. The Nation news radio network reported.

The broadcast quoted police as saying it must have taken the robbers a week to dig the tunnel, about half a meter (about 1 1/2 feet) wide and 15 meters (50 feet) long. They crawled 600 meters (1,980 feet) up a river drainage pipe before digging.

US nominee to ask for greater transparency in WB operations

WASHINGTON, May 24: Jan Piercy, nominated for the US post on the Board of Executive Directors of the World Bank, said she would call for greater transparency and efficiency in Bank operations and bank measures to cut administrative costs, says a USIS press release.

Testifying before the Senate Foreign Relations Committee May 18, Piercy said other key objectives on her agenda include: Assuring that World Bank projects supplement, rather than supplant, private sector financing; giving higher priority to "bottom-up" development strategies and sustainable development; Integrating environmental considerations into lending policies, and stressing inclusion of women in development outreach with emphasis on the education of girls.

Piercy said, she believes the growth of the non-government sector (NGOs) will be very important to the success of development projects undertaken by multilateral banks. She stressed that a close dialogue with NGOs should be maintained by the World Bank.

In the 1980s, while a trustee of the Overseas Education Fund International, she said she helped establish a council of US business women who provided expertise to their counterparts in the developing world.

Piercy said, she learned about "the catalytic role of women in development" during her years as a regional director of Family Planning International Assistance in Bangkok and Dhaka.

As senior vice president of Shorebank Corporation in Illinois, she said she learned

about "the capacity of the private sector to leverage development". The bank holding company was created to test the assumption that "access to capital and credit could revitalize neighborhoods in decline."

The Polish American Enterprise Fund engaged Shorebank to assist in reintroducing private lending in Poland. Shorebank also worked with teams from many parts of the developing world to help introduce its concept of community development. Piercy said she would apply the lessons she learned at Shorebank to the World Bank.

She agreed with the committee's chairman, Senator Paul Sarbanes, that contribution owed by the United States — estimated at \$87 million — should be paid to the Bank as soon as possible.

Also testifying was Sally Shelton, nominated to be assistant administrator for the US Agency for International Development (USAID).

She said, she would do all she could, despite budget cuts, to "prioritize" USAID programmes that address women, the environment and population growth.

Shelton said microenterprise development would be emphasized at USAID and that Administrator Brian Atwood had already created a coordination unit for this programme. She said microenterprise projects funded by USAID would help marginal urban and rural entrepreneurs who have no access to capital.

She said her experience as a member of the Board of Directors of International Planned Parenthood Federation/Western Hemisphere Region has prepared her to tackle the world population crisis.

Her experience as a member of the Committee on Trade and the Environment at the US Environmental Protection Agency also has broadened her knowledge of world environmental policy issues, she said.

As ambassador to a number of Caribbean countries and as deputy assistant secretary of State for Latin America she was in close touch with USAID activities.

China to double motorbike production

BEIJING, May 24: China expects to nearly double its motorbike production within seven years to cope with growing demand from Chinese not yet rich enough to buy an automobile, an official newspaper said Sunday, reports AP.

He Lianjiang, the government official who heads the motorbike industry, said China expects to produce between 6 million and 8 million motorcycles annually by the year 2000, the China Daily reported.

This year, China is expected to produce more than 4 million motorbikes, up from 3.67 million last year, the newspaper said.

It said some Chinese and foreign statisticians calculate that China has now surpassed Japan as the world's biggest motorbike manufacturer.

Indian economy may grow by 6pc annually over next five years

NEW DELHI, May 24: The Indian economy is expected to grow by about six per cent annually over the next five fiscal years, up from an annual average 4.2 per cent rise over the past five years, press reports said here today, according to Xinhua.

Strong income growth was likely to be the key driving force behind consumption in the next three to five years, the report quoted Merrill Lynch, US brokerage and investment company, as saying.

Merrill Lynch forecasts a real 5.17 per cent rise in Gross Domestic Product in fiscal 1994 which ended on March 31, up from an estimated 4.11 per cent rise in the previous fiscal year.

GDP growth would pick up steadily as the full effects of structural reforms launched in mid-1991 filtered through to different sectors of the economy, the report said.

India's exports are expected to grow by 12 to 14 per cent annually in the coming 12 to 18 months, the report added.

12.1pc surge in Vietnam's industrial output

HANOI, May 24: Vietnam's industrial output increased by 12.1 per cent in the first four months of 1994 over the same period last year, and prospects for food production and inflation levels are good, the government said yesterday, reports Reuter.

A 20.8 per cent surge in output of crude oil, the main export item, led the rise in industrial production, official Vietnam News said, quoting the General Department of Statistics.

Production figures were not given, but the percentage increase appeared to indicate Vietnam was ahead of its 1994 target of 7.3 million tonnes this year from its offshore fields in the South China Sea, 15.8 per cent up on the 1993 figure of 6.3 million tonnes.

Cement production was 15 per cent January-April, coal 4.3 per cent and electricity 9.6

per cent, Vietnam News said. State-owned industries outperformed the private sector, it said, with 13.1 per cent higher output compared with private firms 9.1 per cent.

Vietnam news said the food outlook was also optimistic. If weather is favourable, the latest winter-spring harvest is expected to reach 10 million tonnes of rice and one million tonnes of other food crops.

Inflation rose 5.4 per cent in the first four months of the year, compared with 3.0 per cent in the same period of 1993, the report said. But the price index was expected to be stable in the next few months, with monthly increases of about 1.0 per cent in the first half-year.

"If positive measures are taken by the government and its branches, inflation can be under 10 per cent as planned this year," Vietnam News said.

Prices up in China than real market values

BEIJING, May 24: An official Chinese newspaper warned Tuesday that prices are being pushed up far beyond real market values, creating a bubble economy that could burst with disastrous results, reports AP.

It cited: — a bar in southern China's Shenzhen city that charged 11,000 yuan (1,270 dollar) for a cup of coffee and four glasses of wine.

— a store in central China's Hangzhou city that charged 98,000 yuan (11,300 dollar) for a mink coat that was worth 50,000 yuan (\$5,770 dollar).

— a Shanghai shop that charged 300 yuan (35 dollar) for a 15-yuan (1.73 dollar) tie.

The cases apparently were uncovered by teams of price-checkers who have been crisscrossing the country on the central government's orders, trying to enforce newly imposed price controls in order to lower inflation.

Inflation, which has been creeping upward over the past two years, burst into double-digits last year with prices in December up 20 per cent from the previous December. In cities, the jump averaged 24 per cent.

Many workplaces have raised wages accordingly, but retirees and others on fixed incomes have been hard hit. Even people whose wages have kept pace with inflation are dissatisfied because they are not making gains in their standard of living, as they did in the 1980s.

The government, ultra-sensitive to any social unrest since the collapse of communist regimes elsewhere in the world, has reinstated price controls that it lifted in the late 1980s and deployed thousands of price inspectors to enforce them.

Unemployment rises in Russia

MOSCOW, May 24: The safety net for out-of-work Russians is still being pieced together, with meager monthly benefits that average from 30,000 rubles to 45,000 rubles (about 16 to 24 dollars), reports AP.

For that reason, most job-seekers rely on word of mouth, newspaper ads or private employment agencies instead of the government.

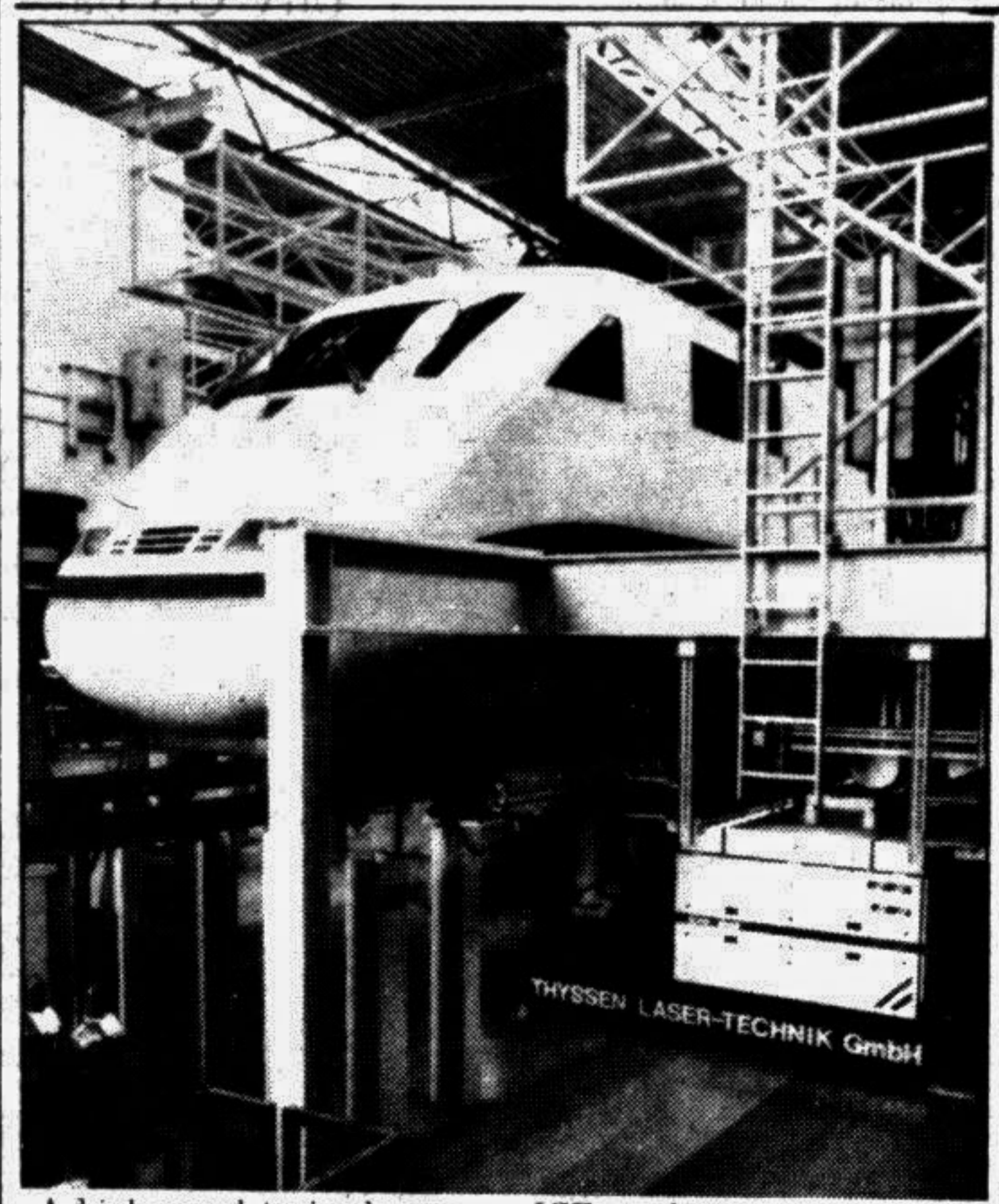
Up to 75 per cent of the unemployed are women. "Most companies want their female employees to be under 30... with long legs," says Sokolovskaya, who lost her managerial job in February. She also was chief engineer at a state defense enterprise for more than 20 years.

Alexander Tarasov, director of the Moscow district employment office where Sokolovskaya has come to seek work, defends employers' preferences.

"At any enterprise, when they fire people they start with women," says Tarasov, a ruddy-faced man in a blue suit. On his uncluttered desk sit a labour law book and a calendar with photographs of scantily clad women.

"Women bring up children, who get sick, and the loss of working time is significant." Unemployment benefits can last up to a year, but after three months Sokolovskaya is increasingly anxious to find a job.

"I've been studying all my life, and graduated from two universities. But the things I can do are not needed," she says with a shrug.



A high-speed train, known as ICE, under construction at Messrs Thyssen. ICE is already operating successfully in Germany with a top speed of around 300 km per hour.

Oil clogs the wheels of Russian industry

Zhores Medvedev writes from Moscow

As the world's biggest oil producer, Russia was a potential power-house, ideally placed to fuel industry and earn foreign exchange. But its oil-pricing policy is grinding the industries of the former Soviet Union to a halt.

In 1987 the Soviet Union reached a production peak of 624 million tonnes, equal to the combined production of the United States and Saudi Arabia.

Russia's contribution was 516 million tonnes, and that of the other republics 55 million. But from 1989 Russian production has been in decline: 462 million tonnes in 1991, 383 million in 1992, 354 million in 1993. This year, output is expected to be no more than 320 million.

While production has fallen, Russian exports of crude oil and petroleum products have risen, pushing down world prices. In 1993, Russia sold some 35 per cent of its output of crude oil and refinery products on the world market, creating shortages in its own economy and those of its partners in the Commonwealth of Independent States (CIS, the countries of the former Soviet Union).

Since Russia is now only eighth in the world in terms of proven reserves, the huge growth in exports is against both its economic and strate-

gic interests. The Soviet Union exported oil extravagantly, paying no attention to price. In 1988 exports totalled 144 million tonnes of crude and 61 million tonnes of petroleum products. However, little more than 30 per cent went to Western countries at world prices. The rest went to members of the Soviet bloc and friendly states such as India and Yugoslavia.

In 1991, shortly before the dissolution of the Soviet Union, the Russian Federation took charge of the oil industry and began selling oil to anyone who wanted it, for hard currency.

Foreign trade was liberalised and the monopoly of the Ministry of the Oil Industry broken up and replaced by government and joint-stock companies. In many cases the companies were controlled by the producers themselves.

In 1991 they exported 56.5 million tonnes of crude oil and 35 million tonnes of petroleum products for a total of \$12.2 billion.

By 1992, Russia was wholly independent. That year, although production was declining, it exported 66 million tonnes of crude oil and 27 mil-

lion tonnes of petroleum products for \$13.3 billion.

In the same period the amount supplied to other ex-Soviet republics was cut by nearly 40 per cent. Rouble-paying customers were dumped or cut back in favour of those paying in dollars. In 1993, only 52 billion tonnes of crude oil and refinery products were sold to the neighbouring countries while 78 million tonnes of crude and 35 million tonnes of products were exported at world prices. This left only 180 million tonnes of crude for domestic needs, causing acute shortages.

On the world market, meanwhile, prices declined from 21 dollars a barrel in 1991 to 13.5 dollars a barrel last December. Despite the low price of oil and its severe economic depression, Russia had a positive foreign trade balance of nearly 6 billion dollars last year. Yet hardly any of this hard currency was invested, or used to reduce the budget deficit.

Instead, it was sold for roubles on the hard currency exchange. Some of the roubles were used to pay domestic bills. The rest were changed

back into dollars and returned to foreign banks.

Any Russian oil enterprise needing to pay its workers or buy domestically-produced equipment could make more roubles by selling abroad (and exchanging its dollar payment for roubles) than by selling to Russian consumers at low, government-controlled prices. The surplus could be used to build up foreign holdings.

The pursuit of dollars for the purpose of changing them into roubles was caused by a huge artificial disparity in the purchasing power of the two currencies.

In 1992, the price of oil for domestic consumers was fixed at 350 roubles a tonne. It fetched an export price of 130 dollars—a time when the dollar was worth 100-120 roubles on the currency exchange.

The results were bizarre. For one tone of Siberian oil sold to a Russian processing plant, a company received less than the weekly pay of one employee; by selling the oil for dollars and converting the dollars on the currency exchange, it could earn more than 15,000 roubles, sufficient

to pay an employee for six months.

In May 1992 President Boris Yeltsin raised the domestic price of oil. A ceiling was established at 2,200 roubles a tonne. The new price did nothing to improve the situation, because by the end of the year the dollar fetched 400 roubles on the currency exchange and one tonne of oil could earn the producer 52,000 roubles if payment in dollars was converted.

Inevitably, the export of crude oil and refinery products increased. There was also a huge illegal outflow. Petrol was taken to Estonia or Poland in canisters in the back of private cars. Tankers used country roads to cross the "transparent" borders between Russia and the Baltic republics; and, defying the United Nations blockade, oil barges sailed up the Danube from Ukraine to Serbia.

In 1993, the government freed the price of oil for domestic producers, merely keeping control of strategic deliveries to the armed forces, railways, aviation, bus services and power stations.

At the beginning of the year, petrol and diesel fuel were sold on commodity mar-