

US-Japan trade talks stalled

WASHINGTON, July 31: The United States and Japan broke off trade talks Saturday, officials from both sides said, all but ensuring the launch of sanctions proceedings against Tokyo on Sunday, reports Reuter.

The talks which lasted two days, had focused on Japanese government procurement practices for telecommunications and medical equipment — two areas where US producers are highly competitive but have still faced difficulties cracking the Tokyo market.

A spokeswoman for the US Trade Representative's office declined to say if Washington would start the clock ticking on sanctions following the breakdown in the talks, but Japanese officials and US trade sources said that such a move seemed inevitable.

On Saturday, White House Press Secretary Dee Dee Myers said President Clinton expects the talks to resume, even if Washington takes steps to impose sanctions on Tokyo.

Indian bond scam

Govt-Opposition showdown today

NEW DELHI, July 31: Indian Opposition parties said they were united on proposed showdown with the government tomorrow which include plans to boycott parliamentary committees over the nation's worst financial scandal, reports Reuter.

But representatives of both right-wing and leftist opposition groups said over the weekend they did not see the 1.28 billion dollars scandal, in which a Parliamentary probe blamed seven ministers, as threatening the government.

Nearly all major opposition groups have accused Prime Minister PV Narasimha Rao of unfairly shielding Finance Minister Manmohan Singh against criticism in a joint Parliamentary Committee (JPC) findings in the 1992 incident.

Rao set up the all-party JPC to investigate the scandal in which brokers and bankers were accused of siphoning funds illegally from the interbank securities market to invest on the then booming Bombay Stock Exchange (BSE).

The opposition has paralysed parliament since last Tuesday over their demand that the government withdraw its "action taken report" which has rejected JPC criticism of Singh, architect of a three-year-old programme of radical economic reform.

Myers said the US Trade Representative's office would probably announce today whether or not Washington has found Japan in violation of its trade laws subject to sanctions that would go into effect in 60 days.

"We expect talks to continue," Myers said in Cleveland. She accompanied Clinton on a one-day trip to Missouri and Ohio.

Washington had set a July 31 deadline for deciding whether Tokyo's procedures for government purchases of telecommunications and medical equipment discriminate against imports, the first step towards possible sanctions.

Sanctions would be implemented only if the two sides fail to reach agreement during a 60-day consultation period.

Before the talks began, US officials had said that Washington stood ready to launch sanction proceedings unless Tokyo made major concessions in the negotiations — something that US trade sources

believe did not occur.

The two nations remain at odds over how to measure improved market access as well as US demands for changes to Japanese government procurement procedures.

Japanese officials said it was the former issue that proved to be the major sticking point in the latest round of negotiations, held between Japanese Deputy Foreign Minister Sadao Hayashi and US Trade Representative Charlene Barshefsky.

Washington wants to use forward-looking yardsticks to measure Tokyo's progress in opening its government procurement and other markets to imports, but Japan opposes that proposal, out of fear that such indicators would end up being mandatory targets.

Government procurement, along with insurance and cars and car parts, is a priority sector in the so-called economic framework negotiations between the United States and Japan.

which to settle their differences before sanctions proceed.

That might help limit the fall out from the decision in the currency market, where the dollar bounded over 100 yen last week for the first time in a month — partly on hopes that a trade deal would be struck.

Japanese officials, who had earlier warned that they might refuse to enter into any further negotiations if Washington set the clock ticking on sanctions, seemed to back away from that threat on Friday.

"I'm hoping the talks will be concluded, but even if there were no accord by July 31 we would continue to seek one," Japanese Finance Minister Masayoshi Takemura told reporters in Tokyo.

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A man poses with a Vietnamese model beside a replica of a Kodak Golden III roll during a nationwide advertising campaign yesterday in Hanoi marking the US film maker's official comeback to Vietnam after lifting of the US trade embargo last February. Kodak faces tough competition against Japan's Fuji and Konica which have been selling film in Vietnam for years.

EU decision to continue subsidies to 2 air services faces criticism

WASHINGTON, July 31: Secretary of Transportation Federico Pena has criticised the European Union decision to continue paying subsidies to state-owned carriers Air France and Greece's Olympic Airways, reports USIS.

"Huge subsidies propping up noncompetitive state-owned carriers seriously undermine the promise of genuine competition in European aviation and greater competition in the trans-Atlantic market," Pena said in a July 28 statement.

The EU Commission has approved subsidies of 3,700 million dollars for Air France and 2,300 million dollars for Olympic Airways.

Pena said the EU Commission cannot construe its prohibition on the airlines' use of the subsidies to compete with other EU airlines as beneficial for the rest of the world.

"We reject any implication that this somehow legitimizes the use of the subsidies in competition with the carriers of the US and other countries in intercontinental markets," he said.

Rao announces steps to reform loss-making state firms

NEW DELHI, July 31: Indian Prime Minister P V Narasimha Rao today announced stern steps to reform loss-making state firms, telling them to employ fewer workers and modernise their technologies, officials said, reports Reuter.

They quoted him as telling chief executives of state companies as saying that the government would cut budgetary support to them.

Rao told them not to rely on "spoon-feeding" two weeks after he told a Congress Party rally state-run companies would have to perform or close.

Labour Minister Purno Sangma told the meeting that wage rises would be possible only if the number of workers shrank. "Wage revision should not impact in terms of in-

creased unit cost of labour," he said, adding the government would not yield.

The entire wage structure has to be linked to productivity.

Public sector reforms are considered a tough political challenge for Rao, who launched a radical economic reform programme in 1991.

Surplus labour is a major issue in the companies, which have highly-organised labour unions.

Pranab Mukherjee, head of the government's Planning Commission, said state companies would have to find for themselves by raising more funds from the market.

The Chief Executives wanted more autonomy for managers and less bureaucratic interference, which they said was necessary to make state companies perform better.

Cumulative investments of 1,400 billion rupees (44 billion dollar) yielded a post tax profit of just 34 billion rupees (1 billion dollar) in 1992/93.

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