

BULLETIN

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NORTH ASIA - L'ASIE DU NORD

JAPAN/JAPON

- Le Japon a reconnu officiellement le nouveau gouvernement roumain et aussi laissé savoir qu'il était prêt à reconnaître le gouvernement panaméen dès qu'il obtiendra la confirmation que l'administration de M. Endara contrôle Panama.

- Tokyo's Yomiuri Shimbun reported that Japan will support the USSR's request for observer status in the General Agreement of Tariffs and Trade (GATT).

- According to a report by a major American market research firm, Japanese semiconductor makers increased their market share in North America by 24% in 1989.

- Japan's domestic demand-led economic boom helped reduce the nation's bankruptcies to the lowest level in 17 years.

- The Japan Automobile Dealers Assoc. said that sales in 1989 rose 11.9% over the previous year to 5,561,594 units (excluding minicars), reaching an all-time high for the third consecutive year.

- Fujitsu Ltd. announced the development of a "superchip" that can perform one trillion operations per second by placing five resonant hot electron transistors (RHET) on one chip.

- The Japan Assoc. of Corporate Executives stated that drastic deregulation is required to improve the living standard in Japan.

CHINA/CHINE

- The Ministry of Foreign Affairs stated that the future of Fang Lizhi, a Chinese dissident resident in the US Embassy can only be solved according to Chinese law. Under the law, Fang Lizhi and must "plead guilty immediately and mend his ways so as not to alienate himself from the people."

- A party memo terms changes in Eastern Europe as a "subversion of socialism" and holds Mr. Gorbachev responsible.

- An article in the Guangming Daily criticized "Zhao Ziyang's theory of remoulding ideological and political work in the Party". It is the first time in months that Zhao has been directly criticized.

- According to the State Statistical Bureau, despite a 13% decrease in total wage expenditures in November, wages for the first 11 months of 1989 rose 16.3% and loan payments were up 12% over the same period last year. Productivity rose only 1.5%.

- Premier Li Peng announced the establishment of a State Council Production Committee to solve key problems in production.

- The State Administration of Import and Export Commodity Inspection has announced new regulations that will grant Chinese and foreign traders the right to refute commodity inspection results and ask for re-examination.

- Trade is to be conducted between China and Poland in free foreign exchange instead of governmental barter trade. Negotiations are also underway with Hungary.

CORRECTION

China item 6 in NAB Vol.II No.52
Should read "Following normalisation of relations" not "Following reestablishment of diplomatic relations".

TAIWAN

- Taiwan a signé un accord avec le Vietnam afin d'établir une zone industrielle dans la province de Dongnai.

- Taiwan is under pressure from the US, Canada, and the EC to liberalize its agricultural markets. In preparation for accession to the General Agreement on Tariffs and Trade (GATT), and in an effort to increase exports of agricultural products, Taiwan is to appoint officials to Belgium, the US and several other countries. (Financial Times)

- Taiwan will open a trade office next month in Macao, the first since 1967, according to Hong Kong reports.

HONG KONG

- Thousands demonstrated during the New Year weekend against the Chinese leadership and in favour of democratic reforms in China.

- Police used tear gas to break up a demonstration in the Vietnamese refugee camp. 40 people were injured.

- A fourth land crossing point to the People's Republic of China opened at Lok Ma Chau.

KOREA/COREE

- Korea has chosen the F/A-18 Hornet produced by McDonnell Douglas Corp. as its mainstream combat aircraft.

- Exports in November on a customs clearance basis dropped 2.5% from US\$5.81 billion a year ago to US\$5.561 billion, while imports soared 18.4% from US\$4.5 billion to US\$5.449 billion.

- The Atomic Energy Committee has issued a construction licence allowing the Korea Electric Power Corp. (KEPCO) to build two nuclear power plants in Yonggwang. The Committee also endorsed KEPCO's plan to construct another CANDU nuclear power plant in Wolsong to be supplied by Atomic Energy of Canada, Ltd.

- The Hyundai Business Group has agreed to develop a forest located in the Soviet Far East. Under the joint venture agreement, it will produce one million cubic meters of timber annually for 30 years. The first phase will cost US\$50 million.

- La Corée du Nord a reconnu le nouveau gouvernement de la Roumanie mais a rapatrié d'Europe de l'Est la plupart de ses 800 étudiants par crainte de voir la fièvre réformiste atteindre ses ressortissants.

- Opposition leader Kim Young Sam hinted that he would make a decision this year which could lead to political restructuring and break up the four party system.

- Le Tchécoslovaquie entreprendra sous peu des négociations avec la Corée du Sud visant à l'établissement mutuel de relations diplomatiques.

- President Kim Il Sung of North Korea is likely to visit Moscow in the spring.

ONGOING AND UPCOMING/A VENIR

- B.C. Minister of Finance & Corporate Affairs, Hong Kong, Jan.7-10.

- Hon. Jean Charest, Min. for Employment & Immigration, to visit the Commonwealth Games, Auckland, Jan.18-28.

- Hon. John Crosbie will attend the International Franchise Association Conf., Hawaii, Jan.28-29.

- Hon. George Hees visit to Thailand, Bangladesh for field visits to Cdn. food aid projects, Jan.18-30.

- Symposium Pacific Energy Coop (Spec IV), Tokyo, Jan.29-30.

- Sask. Minister of Trade & Investment Visit to Korea, Jan. 29-Feb. 2.

- Cdn Meat Council Annual Mtg, Toronto, Feb.7-9.

- Environmental Control Mission to Hong Kong and Taiwan, Feb.1990.

- Conference on Canada and Pacific Security, Victoria, B.C., Feb. 15-17.

- Agric. Fish & Food Workshops, Halifax Feb.23; Montreal Feb.15; Toronto Feb.20; Edmonton Feb.22; Van. Feb.27. Contact: Regional International Trade Centres, or, Ezio DiEmanuele, Japan Trade Development Division, DEA, (613)995-8606.

- Foodex '90, Tokyo, Mar.13-17, 1990. Contact: Ezio DiEmanuele, Japan Trade Development Division, DEA, (613)995-8606.

- Globe '90: Trade Fair & Conference, Vancouver, B.C., March 19-23, 1990. Contact: Globe'90, 250, 1130 West Pender St., Van., B.C. Tel.:(604)681-6126.

- Canadian Technology Products Show, Seoul, Mar.27-30.

- Cda-Taiwan Business Assoc. Mtg, Taipei, Apr. 1-3.

- Seoul Food 90, Seoul Korea, April 27-30.

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BACKGROUND

JAPAN: TAX INCENTIVES TO IMPORTERS

A tax reform bill designed to expand imports will be placed before the Japanese Diet in the next session. Although its impact on the Japanese current account surplus is difficult to gauge at this point, and some scepticism is in order, the measures are noteworthy in that they are more "structural" in character than previous packages and may therefore foreshadow a new approach to the management of international trade issues by the Japanese. At the very least they are aimed at mollifying the US Congress and "buying time" with US opinion-makers and the public at large as evidence mounts of increasing resentment toward perceived Japanese unfairness.

The main proposals are: tax incentives to manufacturers to increase imports or the incremental value thereof by 20%; tax relief to wholesalers and retailers who set aside 10-20% of import revenues for import marketing.

While these measures are not "import liberalization" measures, they are clearly an attempt by the Japanese to deal with the mounting resentment in the USA over non-macroeconomic, "structural" impediments to imports. MITI is reported as expecting, however implausibly, that the new measures will have three important effects: elimination of discrepancies between the cost of products in Japan and abroad; opening up the much-criticised Japanese distribution system; breaking down Japan's "keiretsu" system by which markets are manipulated by networks of tightly coordinated companies.

While the measures proposed are welcome simply from the point of view of making a small dent in Japanese trade surpluses, MITI's expectations are clearly

optimistic and unlikely to lead to marked changes -certainly not in the short term. US reactions thus far are less than effusive although the Europeans and other countries in the region have shown positive interest.

According to official Japanese estimates the new measures could lead to lost revenue of \$1 billion to the Japanese Government and an increase in imports of \$12 billion over three years. A detailed list, expected to include chemicals, tires, safety glass, watches, sporting goods and measuring and inspecting equipment, will be issued by the Japanese before the effective date of operation of the scheme April 1, 1990.

Although tariff levels are not the major determinants of access in Japan, it is reported that the Japanese Tariff Rates Council is also recommending cuts in tariffs on 1004 items, including machinery and industrial mining products, from the same date. Elimination of tariffs on 585 items, including satellites and helicopters is also proposed. The cuts are likely to pass the Diet without serious problems.

IMPLICATIONS FOR CANADA

Until the list of items affected by the import tax measure is finalized, we will not be able to assess the likely impact on Canadian exports to Japan. In general the advantages to Canada are likely to be relatively minor, given the emphasis in the Japanese proposals on manufactures. Nevertheless, there should be some additional opportunities for Canadian business to the extent that these proposals serve to reinforce marketing efforts in specific sub-sectors.

