

BULLETIN

VOL III NO 08
90-02-23

NORTH ASIA - L'ASIE DU NORD

JAPAN/JAPON

- Afin de maintenir l'unité du parti, les dirigeants du Parti libéral démocrate (PLD) ont décidé de répartir les trois principaux postes de l'exécutif parmi les factions dominantes. M. Ichiro Ozawa demeure secrétaire général, l'ancien ministre de l'Éducation, M. Takeo Nishioka sera nommé président du conseil exécutif du parti et M. Mutsuki Kato, qui fut ministre de l'Agriculture, deviendra président du conseil de recherche sur les affaires politiques.

- Japan posted an unadjusted trade surplus in the first 10 days of February of \$US 2.15 billion, up from the \$US 1.98 billion a year ago. Exports for the 10-day period decreased 2.7% from \$US 8.11 billion a year ago, to \$US 7.89 billion. Imports also declined 6.4% to \$US 5.75 billion from \$US 6.14 billion during the same period a year ago. In January, Japan posted a trade surplus of \$US 342 million, sharply below the \$US 3.25 billion surplus for the period a year before.

- Nippon Telegraph & Telephone Corp. (NTT) will spend ¥57 billion on purchases of foreign-made hi-tech equipment.

- The Japan Automobile Manufacturers Assoc. reported that motor vehicle production fell 10.3% in January 1990, to 903,273 units.

- A group from the Soviet Union will arrive in Japan to study Japan's free market mechanisms and its labour management relations.

- Kyocera Corp. of Japan may commercialise its version of the solar car within the next five years.

- East Germany intends to import steel and manufacturing equipment worth 3.6 billion West German marks.

- Fearing another increase in interest rates, the Tokyo stock market plunged 1169 points this week, the greatest single day loss since the 1203 point loss on October 23, 1987 (Black Monday).

CHINA/CHINE

- The China International Trust and Investment Corp. (CITIC) is expanding its Canadian interests by acquiring a one-third stake in a C\$40 million Alberta sawmill project.

- The National People's Congress will convene on March 20th, and besides discussing 1989-1990 economic plans, the legislative body will also approve the draft HongKong Basic Law and amendments to the Joint Venture Law.

- President Bush's decision to order the China National Aero-Technology Import and Export Corp. (CATIC) to divest itself of a US aircraft parts company has met with a restrained response from the Chinese. A CATIC statement said that the decision would undoubtedly cause a negative impact on future Sino-US aviation industry cooperation.

- China's imports in January fell 12.6% from a year ago to \$US 2.56 billion, leaving a trade surplus of \$US 280 million for the month. Exports were up 1% to \$US 2.84 billion.

TAIWAN

- The Central Bank of China (CBC) has decided to issue commemorative gold coins. As the quality of the government-owned gold in stock does not meet the standards for minting such coins, the bank will have to purchase more gold from foreign countries.

- The Cooperative Bank of Taiwan predicts that rents for large, well-located offices will rise quickly this year due to robust and expanding business activity.

- Taiwan will begin phasing out its drift-net fishing fleet and will ban all drift-net operations by 1992. Operations in the South Pacific will cease as of July 1991.

HONG KONG

- Subject to final approval, the HongKong Bank of Canada will acquire the Lloyds Bank of Canada. The HK Bank becomes the largest foreign bank operating in Canada.
- Francis Maude, the UK minister responsible for HK, proposed to Vietnam authorities an aid package worth \$HK 1.3 billion if Vietnam expedites the voluntary repatriation programme from HK.
- The Basic Law Drafting Committee approved the final draft of HK's mini-constitution which will take effect after 1997. Deng Xiaoping hailed the draft as a "creative masterpiece".
- Un nouveau projet de loi visant à accroître à 20,000 les quotas annuels d'immigrants en provenance de Hong Kong sera présenté au Congrès américain.
- A survey revealed that 90% of pharmacists in HK intend emigrating before 1997.

KOREA/COREE

- As part of Korea's nuclear technology development plan, the government will create a small-scale nuclear reactor for residential heating, to be installed at Daeduck science town by 1993. Korea Electric Power Corp. has expressed a strong interest in cooperating with Canada, using Canadian "Slowpoke" technology.
- Reporting on 1990 policy goals, the Science & Technology Minister stated that Korea will develop an earth observation satellite in cooperation with the US, West Germany, and France, and launch it in 1993. Korea will also seek to develop a five-seat short takeoff and landing (STOL) aircraft by 1993.
- The Korea National Railroad will be tendering bids from West Germany, France and Japan, for a multi-billion dollar high-speed railway system to link Seoul-Pusan, and Seoul-Kangung. Construction is expected to begin in 1991 and be completed by 1998.

- Korea posted a \$US5.1 billion current account surplus in 1989, down 64% from the previous year's surplus.
- South Korea and Bulgaria have agreed to establish diplomatic relations in March. No financial assistance will be granted as part of the recognition agreement.
- Korea Air Lines (KAL) and Aeroflot will inaugurate regular flight service between Seoul and Moscow on March 25. Nine weekly KAL flights bound for European cities will also be allowed to fly over the Soviet Union.
- In order to prevent fraudulent mixing of lower cost imported beef with expensive beef, the Ministry of Agriculture announced that imported beef will only be allowed to be sold at designated shops.

ONGOING AND UPCOMING/A VENIR

- Environmental Control Mission to Hong Kong and Taiwan, Feb.1990.
- Economic Planning Agency (EPA) meeting of Asia Pacific countries on regional economic forecasting, Tokyo, March 6-7.
- Senior officials meeting on Asia Pacific Economic Cooperation (APEC), Singapore, March 7-8.
- Foodex '90, Tokyo, Mar.13-17, 1990. Contact: Ezio DiEmanuele, Japan Trade Development Division, DEA, (613)995-8606.
- Conference on Canada and Pacific Security, Victoria, B.C., March 15-17.
- 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.
- Canada-Taiwan Business Assoc. Meeting, Taipei, April 1-3. Contact: Ms.Bronwyn Best, Cdn.Chamber of Commerce, Ottawa, 613-238-4000.
- Seoul Food 90, Seoul Korea, April 27-30
- Cda-China International Management Conference, Xian, PRC, August 10-14. Contact: Dr. William Wedley, Faculty of Business Admin., Simon Fraser University. (604) 291-4528; FAX: (604) 291-4920.

The North Asia Bulletin is produced weekly by the North Asia Relations Division. Le Bulletin de l'Asie du Nord est un hebdomadaire rédigé par la Direction des relations avec l'Asie du Nord. Comments/Commentaires- Timothy Skye-613-995-7662 or 613-995-1183; fax-613-996-4309.

BACKGROUND

JAPANESE ELECTION RESULTS

90-02-23

LDP REDIVIVUS

Toshiki Kaifu and his Liberal Democratic Party (LDP) won a decisive victory in the February 18th general election, despite widespread public dissatisfaction with the government's consumption tax, its liberalization of the agriculture market, and its involvement in the Recruit scandal. The election is likely to ensure PM Kaifu's tenure until October 1991 and gives the LDP a record thirty-five years of continuous rule.

The Liberal Democratic Party won 275 of the 512 seats in the lower house and will now attempt to recruit 12 conservative independents, which would boost the party's strength to 287 and permit the LDP to retain control of all working committees in the legislature.

The high voter turnout of 73% indicates the importance of this election. The LDP maintains that the election was, in fact, a choice between freedom and socialism. In reality, the opposition failed to provide the electorate with a viable alternative. The Japan Socialist Party (JSP), the major opposition group, did make significant advances, gaining fifty-three seats over its previous total of 83 seats. This growing bipartisanship may be an indication of an eventual realignment of the Japanese political parties.

The Komeito, Japan Communist Party (JCP), and the Democratic Socialist Party (DSP) all fell far below their pre-election strengths and were overshadowed by the struggle between the LDP and JSP. According to the Diet regulations, the JCP and DSP with less than 20 seats each, have forfeited their right to submit legislation. Although the LDP won a comfortable majority in the lower house, the Kaifu Cabinet is expected to encounter difficulty in passing legislation through the upper chamber now controlled by the opposition parties. Under Japan's bicameral system, approval is required from both houses for non-budget measures to be enacted.

COMMENT

Mr. Kaifu will face considerable challenges at home and abroad. He is certain to maintain the foreign policies he has pursued since his tenure began; enhancing Japan's international role, continuing reliance on domestic demand for economic growth, and coordinating international monetary policies with his Economic Summit partners. At home Mr. Kaifu will have to contend with the traditional LDP powerbase of farmers, businessmen and bureaucrats, each group having demands which conflict with the other groups. The LDP promised farmers that Japan would not open its rice market to imports. This promise will certainly anger the United States which is pushing for more liberalized markets in Japan. Managing the already difficult Japan-US trading relationship will be one of the greatest challenges for Mr. Kaifu and his new cabinet which is expected to be announced on February 28th.

IMPLICATIONS FOR CANADA

Prime Minister Kaifu, his Foreign Minister, and a group of Japanese parliamentarians visited Canada in September 1989. At that time Canada secured a renewed commitment from the Japanese for continued trade liberalization, both bilaterally and in the multilateral forum of the Uruguay Round, in spite of the growing pressure in Japan to resist further liberalization of its markets. While some problems exist in forest products, fisheries and one or two other sectors, Canada and Japan have built a constructive bilateral economic relationship that is relatively free of the contention that is apparent in the US-Japan relationship. What remains to be seen is how Mr. Kaifu will manage its protectionist electoral base in rural areas while at the same time mollifying international pressure.

