

BULLETIN

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NORTH ASIA - L'ASIE DU NORD

JAPAN/JAPON

- Alexander Yakovlev, a senior Politburo member presently in Japan, indicated that the USSR is considering a new proposal to improve bilateral relations. The major obstacle to improving relations has been the issue of the northern territories. Yakovlev's remarks indicate the USSR may now be ready to compromise policy over this issue. Yakovlev also indicated that the Soviet Union would not intervene in eastern Europe.

- The trade ministers of Japan, Canada, the US and the European Community (EC) remained at odds over how to construct a broad global trade system. Japan and the EC criticized the US Super 301 provision as unilateralism. The most disappointing issue for Canada was the impasse over market access.

- In an effort to thwart foreign criticism of investment barriers in Japan, the Finance Ministry has drafted a plan that would simplify legal procedures for launching corporate takeover bids for Japanese firms.

- Japan's trade surplus took an historic 39.4% plunge to \$US4.66 billion in October from US\$7.68 billion a year ago. A fervent demand for imports, weaker exports, and a strong US dollar helped push the surplus down.

- Le Japon prévoit accorder une somme de \$200 millions à un fonds de stabilisation économique de 4 milliard de dollars américains destiné à la Pologne.

- The Bank of Japan's pre-tax profits declined 55.2% to ¥236.8 billion in the first half of FY'89 ending in September.

- Japan's imports, measured on a contract basis, rose 18.1% in October from a year earlier to US\$15.68 billion. This marks the fourth consecutive month that imports have posted a double-digit increase, MITI stated.

- Une délégation de gens d'affaires de retour d'une visite en Chine a demandé au gouvernement japonais de lever le gel sur les prêts destinés à la RPC.

- Les compagnies Toyota et Nissan rapportent une chute de plus de 20% de leurs exportations d'automobiles pour le mois d'octobre.

- Toyota Motor Corp. became the number one corporate income earner for the 15th year in a row. The declared income for the 1988 business year ending in June was ¥573.2 billion.

CHINA/CHINE

- Deng Xiaoping pledged confidence in his successor Jiang Zemin and stated that he would not interfere in the work of the new leaders but rather convey advice to them.

- The Fifth Plenum of the Central Committee formally expelled Zhao Ziyang from its ranks but made no mention of any further action against him.

- Chinese leaders, including Party General Secretary Jiang Zemin, presided at a rally of 3,000 in Beijing to commemorate the death 50 years ago of Dr. Norman Bethune.

- Moody's has lowered China's credit rating from A3 to BAA1, making it harder for China to borrow money in the international market.

- Under a new policy announced by the Agricultural Bank of China, only rural enterprises whose products aid agriculture will be granted loans.

- Recently a delegation of Israeli military officials was observed in Beijing, lending credence to reports of Sino-Israeli military cooperation.

- The State Council launched a law and order campaign to wipe out the "six evils" of decadent social phenomena: prostitution and the engagement of prostitution; manufacture, sale and distribution of pornography; abduction and sale of women and children; cultivation, consumption and trafficking of drugs; gambling; swindling and harming people through feudalistic superstition.

TAIWAN

- Commercial personnel from Taiwan's Ministry of Economic Affairs will meet in Hawaii on November 20th in an effort to enhance their "Trade Action Plan" and discuss how to promote economic and trade ties with Canada. North America is reportedly Taiwan's first priority for external trade.

HONG KONG

- The US House of Representatives Subcommittee on Asian and Pacific Affairs adopted a resolution proposing that Britain take the lead in granting right of abode to HK people that would allow them to remain in HK after 1997; President Bush discuss the same with the EC, Canada, Australia and Japan; the President call an international conference on HK; the Secretary of State support efforts to enhance HK's status as an international finance centre.

- Moody's has downgraded HK's long term debt credit rating from single A2 to single A3. Shorter term debt rating remains at prime 1.

- The Industry Department said that overseas investment in HK's manufacturing industries grew by 24% in 1988 from a year ago to US\$3.36 billion despite pessimistic foreign investors.

KOREA/COREE

- For the first nine months of 1989 Canada was the third largest recipient of Korean foreign investment. Canada's share totalled US\$96 million.

- In an attempt to encourage better labour relations, South Korean companies are sending delegations of senior trade union leaders on study tours to Eastern and Western Europe.

- According to Korea's Ministry of Trade and Industry's most recent trade figures, Canadian exports to Korea totalled US\$1.257 billion for the first 9 months of 1989, up 48.3% from the same period last year. Korean exports to Canada reached US\$1.398 billion, up 15.5% from last year. Korea's trade surplus with Canada for the Jan.-Sept. period was US\$139.9 million, down 61.4% from the same period last year.

- Korean industry paid out royalties of US\$568.6 million on foreign technologies in the first eight months of this year, up 23.5% from the same period last year.

- The ROK government decreased the bank interest rate a percentage point to 7% to encourage industries to increase investment in their facilities and to boost exports. The business community is seeking even lower interest rates and is demanding that the won's exchange rate against the US dollar be devalued by at least 5%.

ONGOING AND UPCOMING/A VENIR

- Korean Human Development Institute Mission to Canada, Nov.11-26.

- Visit of the Honourable Charles Mayer to Korea, Nov.15-19.

- Arita Ceramics Symposium, Japan, Nov. 15-17.

- Trade Ministers Meeting, Tokyo, Nov. 17-19.

- Cda-Korea/Korea-Cda Business Council, 8th Joint Meeting, Vancouver, Nov.22-24. Contact: The Canadian Chamber of Commerce, Ottawa, (613) 238-4000.

- Annual Canola Consultations, Tokyo, Nov.27-Dec.1

- Agriculture Canada's Meetings on Beef, Seoul, Dec.4-7.

- COMMTEL Asia '89, Hong Kong, Dec. 5-8.

- Globe '90: Environment Technology 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.

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

- Canada-Taiwan Business Assoc., Taipei, April 1-3, 1990. Contact: The Canadian Chamber of Commerce, Ottawa, (613)238-4000.

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BACKGROUND

REPUBLIC OF KOREA REACHES OUT TO EASTERN EUROPE AND THE USSR

The cementing of diplomatic ties between Poland and the Republic of Korea (ROK) on November 1 marked another successful step in Seoul's "Nordpolitik" enunciated in July 1988. Behind the July '88 declaration lay the stated objective of improving relations with North Korea through improving the ROK's relations with the Soviet Union, Eastern Europe and the People's Republic of China (PRC), and bringing North Korea out of isolation and into the international community. Economically, "Nordpolitik" serves the ROK's objectives of seeking to tap new markets and sources of raw materials, especially in the Soviet Union.

So far the Soviet Union, the prime target, has not established formal relations with Seoul, although the Soviet Chamber of Commerce has already opened an office in Seoul. While diplomatic recognition between the Soviet Union and the ROK will likely not occur for some time (since the Soviet Union vies for influence in North Korea with the People's Republic of China, it would be reluctant to be the first to break faith with the North Korean President Kim Il-Sung), Poland is the second diplomatic success achieved by South Korea. Hungary established diplomatic ties with Seoul earlier this year, and Bulgaria, which has a trade office in Seoul, could be the next candidate for upgrading.

North Korea, one of the last holdouts against changes sweeping the communist world, has protested but can do little. Economically it has little to offer eastern Europe whereas the ROK is an attractive source of both potential investment and affordable technology. Diplomatic recognition by Poland was accompanied by a five-year US\$450 million Korean loan package (the Poles are reported to have sought US\$1 billion), while Hungary obtained US\$120 million in loans. For Seoul the Soviet far east offers potential for resource development and for the Soviets, Korean capital can be used as an alternative to the

Japanese, or at least as a bargaining chip, to persuade reluctant Japanese investors to reconsider Soviet Asia.

While the existence of Korean minorities in the Soviet Union is an added consideration, ROK involvement in major capital projects in the region has been put on hold following the Tiananmen incident when Korean business in the PRC felt exposed in view of a lack of consular, diplomatic and investment protection. Since the same situation pertains to the Soviet Union, for the time being this has had a dampening effect on the Korean business community's enthusiasm for Soviet ventures.

While the long-term offers economic opportunities, current trade between the ROK and the Soviet bloc is miniscule and likely to remain so for some time, given the lack of hard currency in these countries. In 1988, for example, only about 0.5% of total ROK trade was with the Soviet Union and eastern Europe (approximately US\$500 million two-way) although growth rates are impressive (owing to a low base initially). In the first half of 1989, total trade was US\$430 million (0.7% of total) with Korean exports of US\$180 million and imports of US\$250 million.

Perhaps not coincidentally, it is the two most open countries of eastern Europe that have established formal direct links with Seoul. As the wind of change sweeps from the Baltic to the Black Sea, it would not be beyond the range of possibility to see normalization of relations between the ROK and most or even all the eastern European countries within the next couple of years (with the possible exception of the Soviet Union).

