

the HERALD
Outlook

Japanese recruit scandal leaves business uneasy



Your Business
Diane Maley
Thomson News Service

The Recruit scandal in Japan is reverberating throughout the world, leaving the country's trading partners feeling uneasy. Already, Japan's finance minister has missed two meetings of the Group of Seven industrial countries.

At the economic summit in Paris this summer, Japan will be represented by an interim leader. What effect will this have on the talks?

No doubt the resignation of Prime Minister Noburu Takeshita casts a pall on the world economy. If the Liberal Democratic Party that he headed begins to crumble, Japan could be in for a period of dangerous instability.

Mr. Takeshita's resignation stems from his connection to the Recruit Co. stock trading and political donations scandal. None of the activity was technically illegal, but the vast amounts involved sparked public outrage.

Mr. Takeshita represented the internationalists within Japan, continuing the global thrust of his predecessor, Yasuhiro Nakasone. But strong nationalist forces within the country are opposed to the notion of freer trade, particularly with the United States.

TRADE WAR LOOMS

If these forces were to gain power, the world could be swept away in a global trading war. The effect this would have on the inflated Japanese stock market can only be guessed at. One thing seems sure: if the Japanese stock market were to collapse, the whole world would feel it.

We in Canada would lose an important source of foreign investment, both in factories and government bonds. A scarcity of foreign money would force up interest

rates. To a lesser extent, Canadian exporters would be hurt. American exporters would be devastated.

Japan already is on the United States' hit list of countries that Americans say trade unfairly. This is not surprising, given that Japan runs a huge trade surplus with the United States.

American demands that Japan open its domestic market to more imported goods could play into the hands of Japanese protectionists, sparking an all-out trade war.

The West's initial response to the Recruit scandal was surprisingly lackadaisical. After all, the LDP has ruled for the past 34 years. No other party provides a workable alternative. The people who argue this way did not believe Mr. Takeshita would resign. Now that he has, they are scratching their heads.

ELECTION WOES

The big question Japan faces now is who will win the general election in July, 1990. Even within the LDP, there are strong nationalist forces at work.

Indeed, hostility between the United States and Japan has been growing for years as the Americans make increasingly more demands on the Japanese to change their buying habits. So far, with its strong currency and huge trade surplus, Japan has been winning the economic war.

Because the world has grown so interdependent, though, the health of nations is inextricably linked to their trading partners. If Japan were to suffer a severe economic or political shock, the whole global marketplace would be affected.

So far, the irrepressible Tokyo stock market has held up well amid the uncertainty. No one seems to doubt the world is safe for Japanese business.

Over the past year or so, Japan has been under pressure from the other major industrial countries to assume a greater role in world leadership. With no leader, Japan will not be able to fulfil its responsibilities as the world's wealthiest nation. What this means for global politics remains to be seen.

Berry's World



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PUBLISHER
David A. Beattie
EDITOR
Brian MacLeod
AD MANAGER
Dan Taylor

STAFF WRITERS
Ben Dummett Donna Kell
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Mind-boggling numbers in latest "blue book"



Ottawa

Vic Parsons

A wise old editor once said that a read through the federal spending estimates is much like Alice's adventure in Wonderland.

Things aren't really what they seem. Sometimes the obscure grows to huge proportions, and the immense fades to insignificance.

The Treasury Board's latest "blue books," which outline the way Ottawa proposes to spend your tax dollars this year, are no different. Perhaps it's those mind-boggling numbers - \$143 billion in outlays in 1989-90 - which tend to separate us from reality.

There are developments in the federal sphere that you could never guess by looking at the spending estimates, which were released a day - sorry, make that two - after the budget.

It's not that the big numbers are so far off base. Last year, for example, the government predicted its spending for the recently ended 1988-89 fiscal year would come in at \$132.25 billion. Latest estimates suggest the final bill will be \$133 billion.

That's 99.44-per-cent accuracy, precisely the same as that popular brand of soap.

The way governments present the estimates, however, can be bewildering. We are told, for example, that Ottawa is restraining itself this year by \$1.5 billion. Yet, the blue books show program spending - that's total payout less payments on the national debt - will, in fact, rise by \$3.5 billion.

But the fantasy really starts in the detail, spelled out in volume after volume of department and agency booklets that would fill a box a metre long, should one care for the full set.

POLICIES CHANGE

You must remember that when the estimates are compiled, the bureaucrats responsible are grasping at the future, unaware of what sudden twists and turns of policy might come their way.

A prime case in these estimates is spending by the Defence Department. Finance Minister Michael Wilson announced in his budget that the military was facing cuts of \$2.7 billion over five years.

The raw numbers tell us that, in fact, defence spending is expected

to rise this year by \$100 million to \$11.34 billion. Yet, elsewhere, we are told the cuts for the current fiscal year will be \$575 million.

How is this apparent contradiction explained? It's like this:

After the defence white paper came out in 1987, the government decided to raise military spending by an annual rate of two per cent, after inflation is subtracted, for the next 15 years. The cabinet reviewed that policy and has opted to reduce the funding "originally planned," the documents reveal.

"The impact of this decision on the 1989-90 defence budget was a reduction of \$575 million in the amount originally anticipated for that year," the blue book says.

So, you see, the government is cutting back on its intentions to spend, not its spending. It's a little like saying, "I just saved myself a lot of money. I was going to buy a Jaguar, but decided against it."

NO COMFORT

While this approach to spending has a Wonderland quality, that's not likely to comfort the people of Summerside, P.E.I., who are about to see their armed forces base and 1,200 jobs disappear. But even this has an air of unreality.

Nowhere in the estimates is there a sign of the proposed cuts at 14 military bases. Indeed, the blue book lists spending of \$6.5 million this year on an armed forces mess at Summerside, with a further \$766,000 next year.

Moreover, one of the most high-profile cuts in the budget was the nuclear submarine program. Yet, \$20 million sits there in the estimates, bold as brass, for spending on "project definition" for the subs. That's in addition to \$26.5 million spent last year.

The reason these items are there, apparently, is that the government - in a panic binge of last-minute slashing - trimmed the bases back and axed the subs. The estimates were printed two weeks before they were released, too late to change the books. Result? A gap between the truth and fiction.

Allow me one last grim example of how the estimates diverge from reality. The defence book also contains figures for Coast Guard rescues.

They reveal that the Coast Guard "expected" last year and "anticipates" this year to save 91.6 per cent of those who find their lives at risk at sea.

Unfortunately for mariners, the most recent actual "save" percentage was 83.6 per cent.

And that, dear Alice, is the estimates Wonderland.

Nowhere to go for Quebec's Anglophones



Ottawa

Stewart MacLeod
Thomson News Service

The Quebec anglophones who are deserting the Liberal party of Robert Bourassa because of its language policy have a rather unique problem: they have nowhere else to go.

In any other province, if Liberals become disenchanted with their leader, or party, there are always acceptable alternatives - usually the Conservatives or New Democrats. But in Quebec, there is no provincial Conservative party. And to credit the NDP with offering a realistic alternative would require a gesture of irresponsible generosity.

There is, for all practical purposes, only the Parti Quebecois, whose founding objective is to lead the province out of Confederation, and whose language policies are, if anything, even more unacceptable to the anglos.

So, while Premier Bourassa might be sad, or even depressed, about losing the support of so many anglo voters, he's unlikely to be pushing any panic buttons. Come voting day, many of Quebec's non-francophones might cringe in the process, but they really don't have much alternative to the Liberals.

An interesting exception may be in Mr. Bourassa's own riding of St. Laurent. Inspired by the Alberta election, in which the Tory government was re-elected while its leader, Don Getty, was defeated, some Quebecers are busy plotting a similar strategy.

It's undoubtedly a long shot, but, nonetheless, the new Equality Party is going to make an effort to unseat the premier.

OTHER RIDINGS

The new party has also set its sights on other select ridings, but so far there is nothing to suggest a breakthrough. In virtually all of the 122 ridings, it's going to be a two-way battle between the Liberals and Parti Quebecois. And, according to all the opinion polls, the Liberals now enjoy a comfortable lead.

But it could be interesting to watch St. Laurent, one of the relatively few Quebec ridings where non-francophones are a majority and where the Equality candidate is likely to be an impressive and eloquent francophone, writer Jacques Renaud.

At a recent meeting in the riding, the Equality party attracted more than 300 people and there was no shortage of enthusiasm about trying to defeat the premier. What the new party stands for is freedom of choice on language and education.

Says party vice-president Tony Kondaks: "Our platform stresses freedom of expression in the private sector, allowing francophones and immigrants access to the same civil right of freedom to choose education in either official language that anglophones have." The party also opposes the Meech Lake accord and the "notwithstanding clause" in the Constitution.

Although it gets most of its support from non-francophones, it is not an exclusively anglophone party. Not surprisingly, some of its members have been known to express rather extremist views, particularly on the language issue.