



CONTINENTAL NEWSSTAND

14 pages
2 months

LA NACION

14 pages
2 months

An oath today, a betrayal tomorrow

Everyone knows now that on February 25, when Saddam Hussein's army was on the point of disintegrating, a great argument arose among those who surrounded President Bush. Shyly upheld by National Security Adviser Brent Scowcroft and by Vice-President Dan Quayle, the Commander-in-Chief of the Gulf forces General Norman Schwarzkopf proposed an attack on the divisions of the Republican Guard stationed in the south of Iraq, thus putting an end to the entire matter. The Chairman of the Joint Chiefs of Staff, General Colin Powell, and the Secretary of State, James Baker, objected that the attack left a way out to the north leaving the rest of Saddam's army free to flee towards Baghdad.

Bush leaned towards the second suggestion. Thus, when rebellions stirred up among the Shi'ites in the south and among the Kurds in the north of the country, Saddam was able to put them down with the indispensable help of those divisions which had been allowed to retreat unscathed from Schwarzkopf's siege.

As soon as the rebellions broke out,

however, Bush set the bounds on Saddam's repressive measures. For instance, Saddam could not use war planes or chemical arms. But when the moment arrived to prohibit the use of tanks and of attack helicopters as well, Bush looked the other way. As a consequence, Saddam continues to rule in Baghdad having added thousands of new victims to his great kamikaze militancy.

At the moment when the rebellions began, Bush's real concern was to save the integrity of the Iraqi State. It is said that he was so anxious to save the predominance of the Sunnite minority that he supported Saudi Arabia against the Shi'ites heading towards Iran. North American tactics therefore consisted in letting Saddam fulfil his vile activity of repressing the rebellions. Then, and only then, a military coup would rescue Iraq and the world from the "butcher of Baghdad".

The cold realism that Bush is showing in this post-war period is backed by the Republicans, while the Democrats complain it is a betrayal of all those who had believed that a North American victory would have

been followed by the assertion of democracy not only in Iraq, but in Kuwait as well. The Republican-Democrat debate has extended to the Pentagon, as well. It has been said that Colin Powell could become Bush's running mate in the next election. On the other hand, Schwarzkopf is considered to be a possible candidate for the Democratic Party in the presidential elections.

Idealists on the attack

Columnists such as Flora Lewis, William Safire, A. M. Rosenthal and Jim Hoagland do not accept that Bush has left in the hands of Saddam those rebellious Iraqis who saw in the North American victory a hope for democracy. The title Hoagland has given to one of his articles tells it all: "The New Order Starts with Betrayal-as-Usual".

The starting point of this school that one can call "idealist" is a feeling of moral indignation. About 100,000 to 150,000 Iraqis have died in this war, but instead of deposing and prosecuting the "Hitler" who provoked all this, the North American government lets him survive allowing a new massacre. The idealists cannot stand it.

They claim that in leaving Saddam to aim the remaining tanks at his own people, the United States was following the principle of non intervention. But on the contrary, they maintain that in bombing Baghdad and invading the south of Iraq the United States had already intervened.

The idealist thesis does not see how Bush now can relinquish the responsibility he took upon himself in winning the war. If he helps the rebels, he will obviously intervene. But he

will have to do so even if he does not help them, since in the event of this lapse his fierce defeated enemy will come up from its ashes.

Idealists, however, are not asking for direct military intervention against Saddam in Iraq's civil war. They know that North American public opinion would be opposed to it. What they suggest is that Saddam be prevented from using his tanks and attack helicopters, so that he and the rebels fight under the same conditions. The future of Iraq thus would be resolved in a duel by knife and by gun.

Deep down within the idealists lies the desire to give democracy a chance in the Arab world. They continue the tradition of Democratic presidents such as Wilson, who at the end of World War I said that the United States' mission was to grant the world democracy, or John F. Kennedy, who said on taking office in 1961 that for his country no sacrifice was too great in order to defend freedom in whatever part of the world.

The idealists contend that Bush's cold pragmatism places him on the side of the ultra-conservative monarchies of the Persian Gulf, and not in support of the newborn democratic forces of the region.

Idealists complain of the new series of hardships for the 4 million Kurds, who already suffered 12,000 deaths in 1988 in Halbja, when Saddam used chemical weapons on them. Moreover, they stress the reactionary character of the ruling house of the Sabah in Kuwait, where more than 2,000 persons were imprisoned without trial after the country was freed.

The two empires

Other analysts, such as William Pfaff and Leslie H. Gelb, support Bush's decision asserting that if Saddam were disarmed, what would have come of the country is not its democratisation but its disintegration in at least three areas: the north of the Kurds, the centre of the Sunnites and the south of the Shi'ites: in other words, its Lebanonisation. Realists such as Pfaff and Gelb do not believe that there are genuine democratic forces in Iraq and Kuwait. The main actors are in the end dictatorial.

In Kuwait, for instance, those who are opposed to the Sabah are the old mercantile families who ruled the country before 1950, when the oil boom broke out. At that time, the Sabah were the puppets of this other oligarchy: therefore what these families long for is not the advent of democracy, but a return to their former feudal supremacy. According to Gelb, while the Kurds are tribesmen and the Shi'ites are fanatics, Iraq's real democrats would not even be enough for a cocktail party.

Is the opposition claiming democracy in these two countries really democratic, or is it hiding in its cloak the knife of a new dictatorial project? There is not sufficient information to know one way or another.

What can be surmised, however, is the clash between two basic attitudes as to this question. The idealists think that in all human beings and in all societies there lives a democratic possibility. One has only to explore it. The realists think that the Arab culture does not admit a sudden democratic turn. Pfaff recalls the optimism

with which the Western world welcomed the dismemberment of the Ottoman Empire at the end of the First World War. Actually, what replaced it was a multitude of national dictatorships: shrapnels of the same bomb.

In the fierce debate over Bush's tolerance of Saddam, two opposing concepts of the *pax americana* come into conflict. Either empires can seek the political and cultural assimilation of the defeated or they can respect the practices of the defeated. Spain chose to convert America to Catholicism. The British Empire merely negotiated with the santons and the sultans of India.

Which of these two examples will be followed by the North Americans? The idealists feel they are the crusaders for democracy: they want to preach it and establish it everywhere. As for the realists, they seek to conform with what the New World Order establishes, even if this implies dictators and feudal rulers from whom they only demand adequate behaviour *outside* their frontiers. Does the New World Order have to be a democratic order or will it suffice if it is an international order?

From the bottom of their hearts, the realists do not really believe that the entire world is prepared for democracy. Their democratic zeal is so weak that it runs the risk of turning into cynicism. We are still living in a history which sometimes hides itself behind the intense zeal of the crusaders. The risk, in this case, is hypocrisy.

Mariano Grondona
April 7, 1991



CONTINENTAL NEWSSTAND

Le Monde

DERNIERE EDITION
MORUE

The Dutch Trojan horse

The leading voice of resistance to the Japanese offensive in Europe, Peugeot-Citroën CEO Jacques Calvet is without a doubt unaware that he has a comrade in the Netherlands. His name is H. Deetman and he lives in Alkmaar. In the daily *de Volkskrant* of May 4, he signed a bitter letter against the entrance of the Japanese Mitsubishi group into the capital of Volvo Car, along side Volvo AB and the Dutch state (*Le Monde*, May 5-6).

"There is still a generation that sees red when it hears certain Japanese names, and Mitsubishi is one of these", wrote H. Deetman. "During the last world conflict, prisoners of war were liquidated in its metallurgy factories and shipyards: on the outskirts of Nagasaki, for example. My father did not leave the Fukuoka camps alive." Many Dutch still live with the painful memory of the Japanese occupation of Indonesia, then a Dutch colony, and it is probable that many of H. Deetman's compatriots share in his feelings. But with the exception of this minority, the arrival of Mitsubishi provoked no reaction of rejection at all in Dutch political and economic circles. On the contrary!

For this matter, the permanent parliamentary commission on economic affairs had given the green light to the conclusion of the agreement before its signing on May 3. The national organisation of industry leaders was silent, as were the national labour union headquarters. On the local level, the Volvo Car unions had no greater fear than the brutal withdrawal of the state and integral control of the enterprise desired at one time by the Swedes. Mitsubishi is thus a welcome partner, synonymous with increased production and at controlled costs, investment and modernisation, new profit zones and as many jobs as possible. "The continuity of the automobile industry in the Netherlands is guaranteed, and its future is insured", rejoiced the minister of economic affairs, Koos Andriessen, emerging from the Dutch-Swedish-Japanese engagement party.

The free trade credo

Admitting that he did not believe in Volvo Car's chances for survival without external aid, Koos Andriessen volunteered that it was the government of The Hague itself that had approached the Japanese group last fall,

"when talks with Swedish Volvo were at an impasse". But he made no reference whatsoever to the intention expressed on April 30 by the Brussels Commission to negotiate with Japanese manufacturers a ceiling on their car sales in Europe, including those manufactured in the EEC (*Le Monde*, May 3, 1991). And with good reason: Koos Andriessen, after the example of MITI (Japanese Ministry of Foreign Trade and Industry), considers the Mitsubishi to be produced in the Netherlands as "European cars". Clearly then, they should not be treated according to the import regulations for Japanese vehicles.

This Dutch "difference" was expressed at a moment when Philips executives rejected formation with Thomson and Siemens of a European semi-conductor group (*Le Monde*, May 4, 1991), and no longer incites the cascade of complaints dear to their predecessors about the sinister nature of their competition from the Pacific. Is the Volvo-Philips convergence merely a coincidence? Or are the Netherlands, where the free trade credo takes the place of an "industrial policy", together with Great Britain the "soft underbelly" of the Twelve in the face of Japanese advances?

"At the highest political level"

"Our attitude with regard to foreign investors is traditionally liberal", stated Jan Van Den Brink, head of the Asian desk at the Netherlands Foreign Investments Agency (NFIA), the commissariat on foreign investments. The branch that this public entity opened in Tokyo already has ten employees—three Dutch and seven Japanese. Their job: "to promote Europe in focussing

on the Netherlands", explained Jan Van Den Brink. The installation of Mitsubishi in this respect constitutes a form of compensation at its true value: "For three years we have approached the Japanese automobile manufacturers. With Nissan, Toyota and Honda already having factories in Great Britain, Mitsubishi was one of the two last possibilities", he elaborated, before making an ironic remark directed at French manufacturers that "the German auto industry is not afraid of Japanese vehicles".

As the Volvo Car dossier was treated "at the highest political level", the NFIA was not directly concerned. In contrast, it had been implicated in 36 investment projects for the Netherlands between 1988 and 1990 by firms from the Japanese archipelago. On January 1, 1991, two hundred eighty-seven companies were registered at the Dutch-Japanese Chambre of Commerce in Amsterdam, providing some 10,000 jobs. These figures, lower than analogous statistics for France (350 Japanese firms insuring 22,000 jobs) or for Germany (850 firms, 43,000 jobs), do not reflect the true position of the Netherlands in the foreign investment strategy of Japan.

According to the Ministry of Finance in Tokyo, \$45 billion had been invested in Europe from April 1, 1951, to March 31, 1990. A generous third of this wealth went to Great Britain (\$15.8 billion), and ... a small fourth went to the Netherlands, which received \$10.1 billion (23 per cent) versus \$3.4 billion for Germany (8 per cent) and \$2.9 billion for France (6 per cent)!

Even more remarkable, but passing equally unobserved: of the \$10 billion invested in the Netherlands, not less than \$7.8 billion were

committed between April 1987 and March 1990! During this period, Japanese investments progressed by ... 550 per cent in the Netherlands, in other words infinitely faster than anywhere else in the world, Great Britain (up 111 per cent) and the United States (up 121 per cent) included. From April to October 1990—the last available figures—the Netherlands had received only \$1.7 billion against the \$2.8 billion received during the six corresponding months of 1989, thus reflecting the general slow-down in Japanese investments, but deserving no less the title, in the eyes of Japanese firms, of “most important inroad to the European market”.

A striking and discreet progression

Wasn't it, after all, at Sneek in the Friseland that the Yoshida group in 1964 opened the first Japanese factory in Europe? It was a zipper factory (still in operation), specified Stephan Steiger of the Japan External Trade Organisation (JETRO), whose Amsterdam office is in the World Trade Centre along with 41 other Japanese companies. Since then, the idea of the Common Market made its way down the path, and it is in order to take best advantage of the complete opening of intra-European borders set for 1993 that Japanese industry has put its money on the Netherlands, “with a certain feeling of urgency”. In any case, Stephan Steiger interprets the progression of Japanese investments since 1987 in this manner: a brutal, striking progression, but above all discreet, if not silent.

According to Buck Consultants International, a study and consulting firm in Nimègue, 60 per cent of the amount invested in the past

few years by Japanese industry in the Netherlands ... never reached the latter except on paper: in effect, these were investments consented in the form of financing companies. Sony, Mitsubishi, Asahi Breweries, Mitsui Constructions and Sumitomo Metal Mining are a few of the Japanese groups, according to a study by the *Nikkei Newsletter Bond and Money* on firms quoted on the Tokyo, Osaka and Nagoya stock exchanges (with the exception of banks and insurance companies), which have opened a financial affiliate in Amsterdam. Japanese sources estimate that 100 to 150 companies registered in the Dutch capital—nearly half the total—are “companies on paper”.

The role of the latter has evolved, passing from the bond offers or other commercial stocks to financing of production or sales activities in Europe, to small banking activities, playing on currency and interest rate differences among the European countries. Yet their interest remains the same: profits from these transactions can be transferred tax free as dividends to the parent companies.

Fiscal advantages

Dutch fiscal legislation in addition offers advantages regarding royalties and repatriation by a holding company of the profits of its affiliates. This explains the locating in the Netherlands of the European headquarters of 17 principal Japanese groups.¹

Furthermore, the most important ones among them have established their European distribution centres in the Netherlands. This

is the case of Fuji, Sony, JVC, Canon and Nissan. The geographic position of the Netherlands as the continental sidewalk on the European market, and Dutch know-how in the area of distribution (transporters of nearly 30 per cent of all merchandise in the EEC, especially via Rotterdam, the most important port in the world, and via Amsterdam, with Europe's fourth largest airport) decisively motivate, according to JETRO, the choice by Japanese investors of this compact country, well-connected to the rest of the world, with a currency as stable as its political climate.

Buck Consultants International affirms, for its own part, that distribution activity accounts for 20 per cent of the total mass of Japanese investments in the Netherlands, or in other words, half of "visible" investments.

An equal percentage is dedicated to the financing of production activities. But the sixth annual report of JETRO, March 31, 1990, found only 34 Japanese industrial entities in the Netherlands, joint-ventures included. "The productive investments are above all given to Great Britain", related Stephan Steiger.

All the same, the Dutch provinces of Brabant and Limburg, thanks to subsidies for the creation of jobs, knew how to attract certain groups from the archipelago: Fuji, for example, has produced camera film in two factories situated in Tilburg since 1982. Electronics companies Omron and Luron have for their part opted for Den Bosch and Heerlen, and Nissin Food Products, an important food producer, announced on May 15, 1991, its arrival at Venlo (eastern Netherlands) between now and 1992. In

addition, the Netherlands are attracting Japanese industry with ever greater ease. Frits Migchelbrink, director of the NFIA, pointed out last year "a new rise" in their investments: "the Japanese firms create here activities of research and development", citing Fuji, Omron and Mitsutoyo (precision measurement instruments). The last example to date: as of May 1, 1991, Philips and the TKK group are 49 and 51 per cent partners in the Noble-Europe company, settled in the southern Netherlands, for the development and production of remote control integrated in electronic apparatuses.

Another recent tendency: the re-acquisition of Dutch firms. At the same time as the negotiations between Mitsubishi and Volvo Car, the Dutch chemical company Akzo ceded its Tollens paintings to Sakura Color Products, and the Yamanuchi group re-acquired the pharmaceutical branch of Gist-Brocades for close to FF 1.5 billion, that is, 24 times its 1990 profits.

Pragmatic authorities

Of course, the Netherlands does not come cheaply. It is actually one of the European countries where average wage costs are the highest. Yet aside from the fact that the companies are for the most part healthy and have elevated productivity levels, the Japanese buyers find in the country, in general, "the predictable environment" that best suits them. Communication is facilitated by the almost natural practice of the English language by the Dutch, who for their own part appreciate the concern for direct dialogue, permanent concertation and the quest for consensus practiced by Japanese managers. "Conflicts" arise only

on questions of detail: the frequency of coffee breaks or music in the workplace. "Misunderstandings are rare and of short duration", affirms Jan Van Den Brink (NFIA).

The Dutch ambience is even more pleasing to the Japanese because "the authorities are pragmatic", as it was put by President Yamasaki of Nissan. Case in point: the automobile manufacturer was given the right to purchase the land on which it had built its European distribution centre in the western part of the port of Amsterdam, whereas ordinarily, the city administration only permits leasing. Moreover, the official publication *Inside Amsterdam* has just announced that "serious studies" are underway as to the "adaptation" of the locks at IJmuiden, at the entrance to the North Sea canal, sole way of access to the Dutch capital's port: "Notably the vessels—tall and difficult to direct—used for transporting the Nissan cars need room for manoeuvring." Of course, Nissan did not ask for anything, so it is said at City Hall. But "the enlargement of the locks is to its advantage", stated Jan Leijen, "project officer" in charge of Japan at the department of economic development in Amsterdam's municipal administration.

In the meantime, "Dutch fever" among Japanese investors apparently cannot be explained otherwise than by the rejection of any form of protectionism that pervades the economic morality of the Netherlands, a nation distinguished by its commerce ... which sells with conviction its best product: itself, its geographic position, its financial services, its transportation infrastructure and its distribution abilities. Yet the cession of a part of Volvo Car's capital and the European

hiccups at Philips—having left a part of the Jessi programme but still pursuing the path with Thomson towards high definition television—are cause for concern in the industrial sector, the most sensitive in Europe-Japan competition: are these just exceptions to the rule, or is it a change in attitude for the Netherlands?

The economic commentator of the reference daily for decision-makers, *NRC Handelsblad*, recently published an article in the form of a plea: "Dutch companies cannot survive alone within the EEC ..., and thus must look for support *outside* of Europe ... ; attachment to Japanese companies seems to be the best way, if not the only one, to give the industrial base in the Netherlands an *autonomous* position in Europe Economic circles adapt faster than political ones in a changing world: they see the Netherlands as a Singapore or a Hong Kong But the political *milieux* will always see the Netherlands as a member apart from the rest in the EEC." And this undoubtedly was food for thought to Edith Cresson, fate having it that her first lunch as head of government, on May 16 at the Elysée, was in the company of her counterpart from The Hague, Ruud Lubbers.

1 The 17 Japanese groups with their headquarters in the Netherlands are: Canon, Casio, Epson-Seiko, Hosokawa-Micron, Hoya, Kintetsu International Express, Koike, MHI Equipment, Mita, Mitsubishi Motors, Nissan, Ohbayashi, Omron, Ricoh, Topcon, Yanmar and Yokogawa. Source: *The Japan Economic Journal*, May 19, 1990.

Christian Chartier
May 24, 1991