Japanese Stock Index Plunges to a Five-Year Low

By Paul Blustein

Japan's major stock index plunged 3 percent yesterday to its lowest point in five years, adding to fears that the nation is headed into a severe slowdown that could put a drag on world economies.

Since it began to slide in December 1989, the closely watched Nikkei stock index now has lost almost half of its value, dropping through the symbolic 20,000-point level to close yesterday at 19,837.16. Its dramatic decline is continuing at the same time that Japan's political and financial elites are threatened by scandals.

"The only consensus is starting to come to terms with reality," said Kenneth Courts, an economist with Deutsche Bank in Tokyo office, referring to the once-common belief that Japan would undergo little more than a brief pause in its supercharged economic growth.

Many experts are now predicting that the Japanese economy is sliding to around 2 percent annual growth this year, compared with more than 5 percent during the 1986-90 period. Although a labor shortage has kept unemployment from growing, economists say any less than 3 percent is considered recession there.

Japanese companies, many of which are facing sharply lower profits, already are adjusting to new economic realities, curbing spending on plant and equipment and research and development. One of the companies showing sudden weakness is the electronics giant Sony Corp. "Suddenly, starting around last November, everything was declining," said Suneo Sano, a Sony director, following the recent disclosures of Sony's expected loss for the current fiscal year, which ends March 31.

As the demand for imports by Japanese consumers and companies has tailed off, the nation's politically sensitive trade surplus is rising to record levels. This is a disappointment for the Bush administration, which has looked to Japan to stimulate the sluggish world economy.

The market's decline also adds to concerns about the health of Japan's giant banks and insurance companies, which have been major suppliers of international capital over the past decade. As the value of their stock holdings shrank, the companies become less willing and able to lend and invest overseas. Coupled with these financial setbacks is a financial market scandal in which several listed foreign firms were found to have been shuffling stocks from one client to another in an effort to keep them from reporting losses.

Last week, the president of Daio Securities Co., Japan's second-largest firm, resigned when his company was forced to absorb hundreds of millions of dollars in losses as a result of the practice, and many medium-sized firms are believed to face even more serious losses that may threaten their survival.

Also weighing heavily on the market's mood isisory scandals - that some experts say could eventually bring down the government of Prime Minister Kiichi Miyazawa.

Many analysts had voiced fears that basic weaknesses of the Nikkei penetrated the psychologically important 20,000-point level, but traders reacted with calm, shortly after the start of the afternoon trading session Monday, the index dipped into the "tens."

One Japanese television network reported that the big moment produced "no panic - just a silent smile" on the floor of the Tokyo Stock Exchange. Trading volume remained light - an estimated 290 million shares changed hands all day - and the market rallied briefly to pass the 20,000 level again, then fell back again to close at the lowest since Feb. 26, 1987.

Hussein, Arafat Consider Jordan-West Bank Confederation

By Caryle Murphy

King Hussein and Palestine Liberation Organization Chairman Yasser Arafat are considering declaring a confederation between Jordan and the Israeli-occupied West Bank as a way to give impetus to coming to terms with reality," said the idea of a confederation with Yasser Arafat are considering Jordan and Egyptian sources.

Jordanian and Israeli officials are threatened by scan- - - --I ILI

Palestinian sources in Jerusalem said some Palestinian leaders in the Israeli-occupied territories were surprised to hear of the contacts between Arafat and Hussein, and were disturbed by what they saw as an initiative that could undercut their efforts to push the Palestine Liberation Organization as an independent, sovereign party separate from Jordan.

In a press conference Monday in East Jerusalem, a member of the Palestinian delegation to the peace talks, Sabah Ewida, called the proposal for a confederation "prema- - - --I ILI

Ewida pointed out that the peace talks presently are focused on an inter- - - --I ILI

PLO's Central Council, shortly before Hussein traveled to Washington last week.

When the PLO declared a Palestinian state in 1988 on the

Israel-occupied West Bank and Gaza Strip, it also agreed to form a confederation with Jordan after that Palestinian state achieved indepen- - - --I ILI

Some Arab sources portrayed the confederation proposal as a tactical maneuver to overcome Israeli argu- - - --I ILI

Recently the administration has been critical of the Palestinian effort not focusing enough on near-term autonomy measures.

Asad reportedly gave his consent to the proposal, conditional on final approval by the PLO's Central Council, shortly before Hussein traveled to Washington last week.

When the PLO declared a Palestinian state in 1988 on the

Palestinians actually taking part in the talks, to reassess his authority in the negotiations.

Palestinian sources in Jerusalem said some Palestinian leaders in the Israeli-occupied territories were sur- - - --I ILI

As the demand for imports by Japanese consumers and companies has tailed off, the nation's politically sensitive trade surplus is rising to record levels. This is a disappointment for the Bush administration, which has looked to Japan to stimulate the sluggish world economy.

The market's decline also adds to concerns about the health of Japan's giant banks and insurance companies, which have been major suppliers of international capital over the past decade. As the value of their stock holdings shrank, the companies become less willing and able to lend and invest overseas. Coupled with these financial setbacks is a financial market scandal in which several listed foreign firms were found to have been shuffling stocks from one client to another in an effort to keep them from reporting losses.

Last week, the president of Daio Securities Co., Japan's second-largest firm, resigned when his company was forced to absorb hundreds of millions of dollars in losses as a result of the practice, and many medium-sized firms are believed to face even more serious losses that may threaten their survival.

Also weighing heavily on the market's mood isisory scandals - that some experts say could eventually bring down the government of Prime Minister Kiichi Miyazawa.

Many analysts had voiced fears that basic weaknesses of the Nikkei penetrated the psychologically important 20,000-point level, but traders reacted with calm, shortly after the start of the afternoon trading session Monday, the index dipped into the "tens."

One Japanese television network reported that the big moment produced "no panic - just a silent smile" on the floor of the Tokyo Stock Exchange. Trading volume remained light - an estimated 290 million shares changed hands all day - and the market rallied briefly to pass the 20,000 level again, then fell back again to close at the lowest since Feb. 26, 1987.

Hussein, Arafat Consider Jordan-West Bank Confederation

By Caryle Murphy

King Hussein and Palestine Liberation Organization Chairman Yasser Arafat are considering declaring a confederation between Jordan and the Israeli-occupied West Bank as a way to give impetus to coming to terms with reality," said the idea of a confederation with Yasser Arafat are considering Jordan and Egyptian sources.

Jordanian and Israeli officials are threatened by scan- - - --I ILI

Palestinian sources in Jerusalem said some Palestinian leaders in the Israeli-occupied territories were surprised to hear of the contacts between Arafat and Hussein, and were disturbed by what they saw as an initiative that could undercut their efforts to push the Palestine Liberation Organization as an independent, sovereign party separate from Jordan.

In a press conference Monday in East Jerusalem, a member of the Palestinian delegation to the peace talks, Sabah Ewida, called the proposal for a confederation "prema- - - --I ILI

Ewida pointed out that the peace talks presently are focused on an inter- - - --I ILI

PLO's Central Council, shortly before Hussein traveled to Washington last week.

When the PLO declared a Palestinian state in 1988 on the

Israel-occupied West Bank and Gaza Strip, it also agreed to form a confederation with Jordan after that Palestinian state achieved indepen- - - --I ILI

Some Arab sources portrayed the confederation proposal as a tactical maneuver to overcome Israeli argu- - - --I ILI

Recently the administration has been critical of the Palestinian effort not focusing enough on near-term autonomy measures.

Asad reportedly gave his consent to the proposal, conditional on final approval by the PLO's Central Council, shortly before Hussein traveled to Washington last week.

When the PLO declared a Palestinian state in 1988 on the

Palestinians actually taking part in the talks, to reassess his authority in the negotiations.

Palestinian sources in Jerusalem said some Palestinian leaders in the Israeli-occupied territories were sur- - - --I ILI

As the demand for imports by Japanese consumers and companies has tailed off, the nation's politically sensitive trade surplus is rising to record levels. This is a disappointment for the Bush administration, which has looked to Japan to stimulate the sluggish world economy.

The market's decline also adds to concerns about the health of Japan's giant banks and insurance companies, which have been major suppliers of international capital over the past decade. As the value of their stock holdings shrank, the companies become less willing and able to lend and invest overseas. Coupled with these financial setbacks is a financial market scandal in which several listed foreign firms were found to have been shuffling stocks from one client to another in an effort to keep them from reporting losses.

Last week, the president of Daio Securities Co., Japan's second-largest firm, resigned when his company was forced to absorb hundreds of millions of dollars in losses as a result of the practice, and many medium-sized firms are believed to face even more serious losses that may threaten their survival.

Also weighing heavily on the market's mood isisory scandals - that some experts say could eventually bring down the government of Prime Minister Kiichi Miyazawa.

Many analysts had voiced fears that basic weaknesses of the Nikkei penetrated the psychologically important 20,000-point level, but traders reacted with calm, shortly after the start of the afternoon trading session Monday, the index dipped into the "tens."

One Japanese television network reported that the big moment produced "no panic - just a silent smile" on the floor of the Tokyo Stock Exchange. Trading volume remained light - an estimated 290 million shares changed hands all day - and the market rallied briefly to pass the 20,000 level again, then fell back again to close at the lowest since Feb. 26, 1987.