

BUSH'S BALANCING ACT
Helping Gorbachev—or Lithuania?

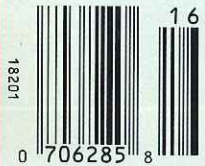
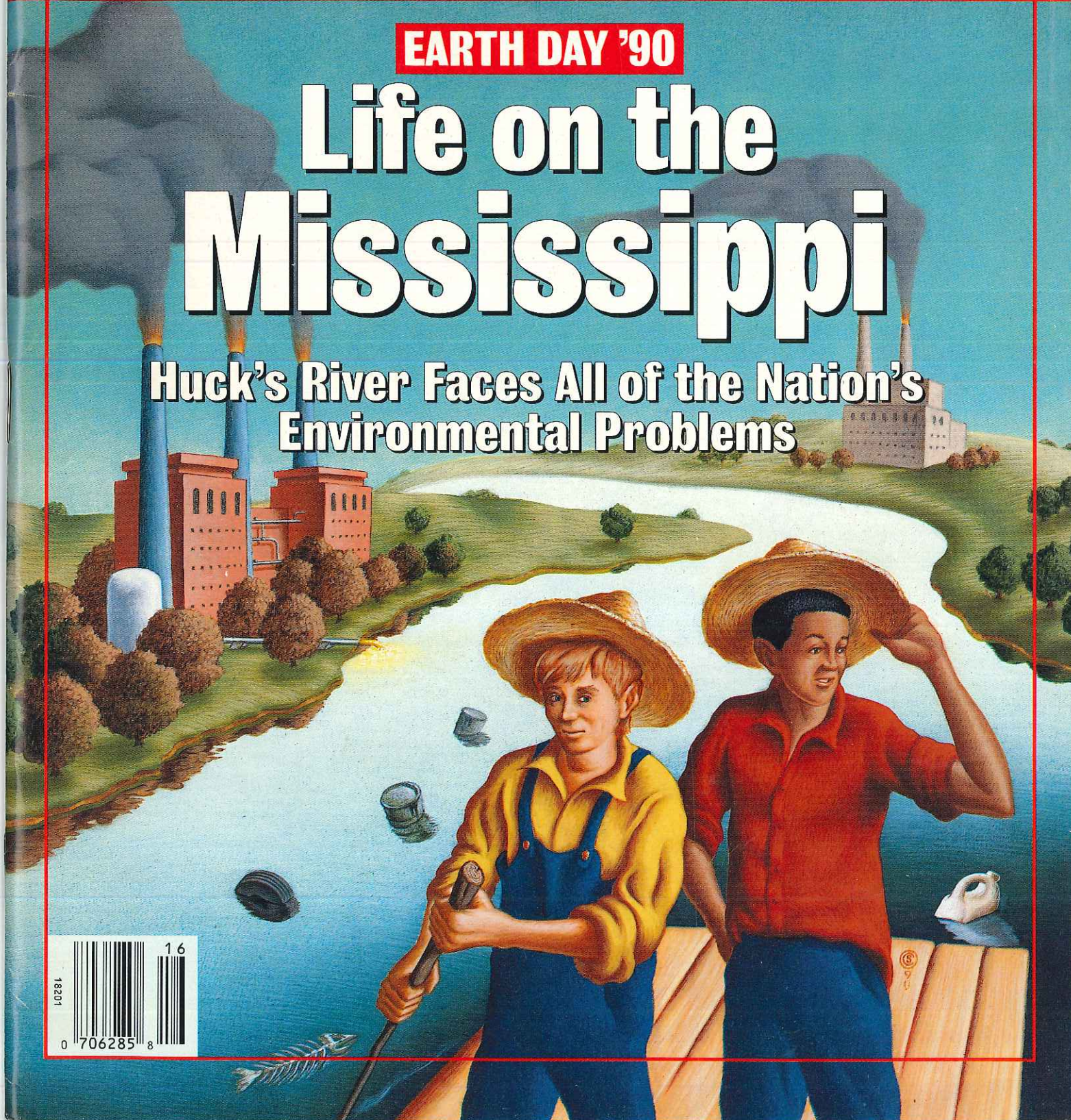
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EARTH DAY '90

Life on the Mississippi

Huck's River Faces All of the Nation's
Environmental Problems



Japan Makes a 'Down Payment'

An agreement in the trade talks, but will it hold up?

On Capitol Hill, the adjective of the day was "skeptical." Last week Japan and the United States announced a major agreement to open Japanese markets to foreign business and improve U.S. competitiveness. Lawmakers quickly lined up to criticize it. "Put me down as a skeptic," said Lloyd Bentsen, chairman of the Senate Finance Committee. "I am skeptical," said Sen. John Danforth, ranking Republican on the trade subcommittee. Florida Democrat Sam Gibbons, chairman of the House Subcommittee on Trade, said, "I'm just skeptical to the dickens." Their criticism of the deal: talk is cheap. "What we need are positive results, not press releases," said Majority Leader Richard Gephardt in a press release.

The announcement followed four days of extensive talks under the Structural Impediments Initiative (SII), an unprecedented dialogue on trade and economic reform launched last summer. "This is the first time that the Japanese government has gone on record as admitting that there are structural barriers in its economy," said Linn Williams, deputy U.S. trade representative, "and the first time there is something approaching a comprehensive undertaking to address them." U.S. Trade Representative Carla Hills called the agreement "a good down payment." More cautiously, Commerce Secretary Robert Mosbacher described it as "a first step in a long staircase." There were indications this interim agreement (the final report is due in July) might even be enough to take Japan off the so-called "Super 301" list of nations whose trading practices the United States deems unfair—though Hills said it would be "premature" to decide now.

If both sides make good on their pledges, the SII deal will bring fundamental changes on each side—reforms that Kan Ito, the Washington representative for the Japan Forum on International Relations, calls



HASHIMOTO—SYGMA

Reforms that could 'in some cases be painful': Prime Minister Kaifu

"enlightened self-interest." Japan agreed to increase public spending to spur imports, toughen antitrust laws and cut down on clubby business practices. It would slash the time required to open a large retail store from up to 10 years to a maximum of 18 months. In asking his nation's "understanding and cooperation," Prime Minister Toshiki Kaifu said the reforms could "be painful"—though they would eventu-

ally improve the quality of life. In turn, the United States promised to attack several heretofore elusive goals: cut the federal budget deficit; increase savings; improve education; spend more on research and development—as well as encourage companies to take a long view instead of focusing on quarterly earnings. Washington also pledged a statement welcoming foreign investment.

To work, the deal would require daunting changes in the laws—and psyches—of the two nations. Japan expert Edward Lincoln of the Brookings Institution says that Japan is already moving toward openness, and so America is "feeding into a process of change rather than being a lonely voice in the dark." But trade analyst Clyde Prestowitz sees more hype than substance: "The effort there is to persuade Congress that these agreements are really historic so the Congress will back off, and so the public will be mollified." The problem, says one former trade official, is

that agreements are reached in haste, and then "after the dust has settled, each side interprets the agreement as it wants to." The danger is that each side will act like Claude Rains in "Casablanca": "It's a little game we play. They put it on the bill, I tear up the bill." Yet in this case, the tab is still running.

JOHN SCHWARTZ with DANIEL GLICK and CLARA BINGHAM in Washington

Another United Airlines Deal: Will It Fly?

Over the past year, talks over a buyout of United Airlines have hit more bumps than a 747 in bad turbulence. When banks balked at a management buyout last October, it sent the entire stock market into a 190-point nose dive. Now it looks like a United deal might finally fly. After a 24-hour marathon negotiation with United's three unions last week, the board of parent UAL Corp. agreed to sell the entire airline to its 70,000 employees for \$4.4 billion. That would make United the biggest employee-owned company ever.

If the unions succeed, their first act may be to fire chair-

man Stephen Wolf. Wolf spearheaded the attempted employee buyout last fall but failed to win backing from machinists, spooking banks with the prospect of labor strife. This time, labor cooperation is virtually assured. "All unions are united," said pilot chief Rick Dubinsky.

Big obstacles still remain. The unions must line up \$3.4 billion in financing. The employees themselves won't contribute any cash, just \$2 billion worth of labor concessions over five years. In the first year, that would mean 11 percent pay cuts for pilots and 7.6 percent cuts for flight attendants and ma-



J. P. LAFFONT—SYGMA

Labor pledges: United jet

chinists with more than five years' seniority. If the union leaders can get rank-and-file approval for those kinds of givebacks, the deal may be clear for takeoff.