

## Japan Guts Its Industry In Attempt to Save Yen

Oct. 22 (IPS) — In an attempt to support the plunging value of its currency, the Japanese government has begun depleting its reserves — selling dollars — at the rate of \$2 billion a month, according to New York banking sources. With \$6 billion — one-quarter of Japan's reserves — spent in the last three months alone, this rate will mean the total depletion of all reserves within six to eight months.

This desperate support operation, combined with an export rate which is now falling at an unusual rate of 28 per cent, means that it will soon become unprofitable for Japanese industrialists to continue production — thus ensuring a further, precipitous collapse of the yen. If this cycle continues, the Euro-dollar market, and Rockefeller's New York banking network itself, will die in the shockwaves: Rocky's Manufacturers Hanover alone has \$1.8 billion in outstanding loans to Japan — compared to \$1.2 billion in bank assets!

The situation puts before every political faction in Japan an immediate choice with only two alternatives — no more. On one hand, self-cannibalization of the Japanese economy to pay dollar debt can continue — saving Rocky's Dollar Empire for a few more weeks until Japan or some other weak link like New York City gives way. In the meantime, Japanese domestic consumption and production — heavily based on imports — will not simply erode but will crumble almost overnight to wartime levels of misery.

On the other hand, Japan can immediately establish a Japanese or Asian Development Bank along the lines of the International Caucus of Labor Committees-proposed International Development Bank through which exchanges of, especially, oil for Japanese technology can be made. These "barter-type" exchanges can then be used as a basis for generating non-inflationary credit for expanded trade between Japan and the entire range of Third World, European and Comecon nations. (See accompanying article.)

Leading Third World countries have already shown their amenability to such a proposal. Japan is now in negotiations with Iraq, an acknowledged Third World leader, for a \$1 billion oil-for-technology deal, and has been discussing several development packages with that Mideast country. India, another firmly pro-development nation, sent a telegram to Tokyo this week to discuss "expanding and strengthening economic ties" between the two countries. These "ties" are said to include several bilateral deals which would develop Indian food production,

and at least one triangular project that have Japan and India jointly participate in Mideast petrochemical production.

The expansion of these yen and barter deals is the only way to circumvent the dollar debt requirements now absorbing trade and production funds. At this time the Japanese government has taken responsibility for the debts incurred by the entire economy's income losses caused by production collapses. This includes \$30 billion in 180-day foreign loans that must be paid in dollars — money mostly to Rockefeller banks that does not go into production. The yen has steadily lost its value because the economy behind it is now no longer productive enough to sell its produce at the level necessary to pay its bill.

And so the cycle goes — complicated by the fact that Japanese exports,

which provide 35 per cent of corporate profits, have fallen as Japan's trading partners (40 per cent of them Third World nations) go bankrupt. The 28 per cent fall of annual exports over the last several months has translated, in part, into a 45 per cent drop in profits in the April through September period.

To maintain some semblance of an economy under these conditions, the Bank of Japan (Japan's central bank) has printed enough new yen to allow for an increase in bank lending by 33 per cent over this quarter. However, 60 per cent of these bank loans immediately leave the country, going for debt service. In addition, \$15 billion in government deficit bonds are also being financed by freshly printed money. The result is hyperinflated yen — more and more of which are required to buy the dollars needed for Rocky's debt service.

## The Way Out for Japan

pean countries and the Comecon sector as well. This expansion would inevitably move toward debt moratoria on dollar debt, and the establishment of an International Development Bank type arrangement. It would be guaranteed to be well received not only

The impending collapse of the entire Japanese economy puts in sharp relief the future of every industrial power that allows itself to be held in hock by the Rockefeller banking interests. Over the past year, during open threats to its oil and even food supply, the Japanese have gutlessly capitulated at every turn. Now, with bankruptcy at the front door, Japan has only one alternative to sinking into Third World status and taking the rest of the dollar-based world economy with it. That alternative is the establishment of a Japanese-Middle East Trading Company which, on the basis of transfers of oil for technology, will provide the basis for saving the Japanese economy.

### Turning the Tables

The special vulnerability of Japan to Rockefeller blackmail has been its extreme dependence on imports for obtaining raw materials and energy, in particular oil. Now the cost of financing these imports — debt service that runs as high as \$33 billion in the short term — combined with the catastrophic decline in exports imposed by depression devastation in the Third World and the U.S., threatens to shut down Japanese production altogether.

Ironically, this very weakness defines the solution to the Japanese bind — the oil-producing countries. Over the very same period these countries have also been subject to a massive cutback in production, bringing them way under their capacity for oil production. This cutback has been imposed both by the rise in oil prices engineered by the Rockefeller oil companies, and by the austerity forced on their customers by Rockefeller political and financial institutions. These Middle Eastern countries need to have the market for oil which the Japanese can offer — in return for the industrial goods which the Japanese are in excellent condition to provide.

As should be obvious, the mere barter of oil-for-technology would not be sufficient in itself to save the Japanese or the Arab populations from further immiseration. The key purpose of the swap arrangement would be to use the letters of trade as the basis for expanded credit and trade between Japan and other Third World countries — and eventually including other Euro-

among vocal proponents of three-way deals for development such as the Iraqis, but also by pro-development forces in Europe. One of the most prominent pro-development spokesmen in Europe, British economist Gordon Tether, has in fact already called for an Asian Development Bank on the similar principle of circumventing Rockefeller-controlled financial institutions in order to expand mutually beneficial trade between the industrialized and Third World countries.

#### **What It Would Look Like**

The first step for the Japanese business community would be to establish a trading company for deals with the Middle East, totally circumventing the Japanese Central Bank, and hence circumventing the point of Rockefeller control over the project. The stated purpose of the trading company would be the exchange of oil for technology — with nothing denominated in dollars. Unlike the dollar, the letters of trade which represent this swap agreement represent real production — and hence a healthy basis on which to “finance” further trade between Japan and the Third World. In the short-term such an arrangement would beg the question of a currency of account — although movement toward use of the Soviet ruble, the world’s most stable currency, makes it likely that the ruble would take over this function eventually.

#### **The Next Step**

Significant movement toward such an arrangement has already come about in the last few days, as Japanese industrialists have begun discussions toward major new deals with the Indians and the government of Iraq. The political import of these projected developments, which include extensive investment in fertilizer, steel, and petrochemical plants, has already forced the Japanese Ex-Im bank to back the barter deal with Iraq up to the point of \$1 billion. The political test will come if the Japanese get the nerve to extend these deals regardless of dollar backing — on the basis of the mutual needs of the economies involved.

The next immediate step required of the Japanese would be to bring in other industrialized countries into the arrangement. The most likely first candidate would be Great Britain, a section of whose industrialists have shown a consistent interest in exploiting its close relationship to former Commonwealth nations and thus establishing a similar “raw materials for technology” arrangement. Britain also shares Japan’s heavy dependence upon imports — and a very narrow margin away from the situation where its industrialists too find it unprofitable to continue production at all.

#### **No Light Matter**

While the measures outlined above are absolutely essential to save the Japanese working class from a period of poverty and chaos more desperate than any they have ever experienced, the necessity of such measures is dictated by the needs of the international economy as a whole.

Japan has been a major supplier of industry and technology to the Third World; just as the advanced industrial plant and workforce of the U.S. cannot be lost to the underdeveloped world, neither can the Japanese industry and industrial workforce. Similarly the Japanese export 20 per cent of their products to the United States. In monetary terms, the dependence of the rest of the world is just as heavy. The collapse of the yen would detonate a total collapse of the Eurodollar market and large chunks of the U.S. financial community.

The plight of the Japanese economy is a clear proof that an International Development Bank arrangement is a matter of life and death for the advanced sector as well as the Third World. The promise of taking the road for development has never been better; the Japanese are being forced by Rockefeller to be the first industrialized country to take it.