The collapsing West German economy is in danger of going into payments deficit, having chalked up a deficit of $200 million in July. Faced with such hard economic facts of life, it is no wonder that West German industrialists are increasingly willing to jump the Atlanticist ship.

Who Needs It?

The gravest threat to the Western European economies at present is the inflationary growth of the Eurodollar market now spreading into West Germany like a cancer. Informed market sources report that the Eurodollar markets have been "strained" to the breaking point due to the huge volume of roll-over loans (much of them unpublicized) now being arranged to stave off a September collapse.

During the month of August alone, the Bundesbank was forced to mop-up $1.2 billion in useless Eurodollars to beat back New York-directed speculation against a deutschemark revaluation, which would have meant the destruction of West German exports. This huge inflow of dollars will shortly show up in an exploding West German money supply leading to Weimar-style inflation rates, sources at Citibank indicate.

To fend off the inflation threat, the Bundesbank, along with most other West European central banks, allowed domestic interest rates to rise sharply during July-August. This credit squeeze, in turn, only exacerbated the collapse of European stock markets — making it even more difficult for firms to acquire the capital necessary to continue production. As of Aug. 31, the West German stock mardet index had fallen 5.4 per cent since the beginning of 1976, the French stock market had fallen 9.4 per cent, and the Dutch and Belgian markets, 11.8 per cent, and 8.7 per cent respectively.

With such prospects for "growth" under the dollar empire, the Europeans reason, who needs it?

Japan's Exports Slipped 6.4% In Month Of August

Sept 10 (NSIPS) — The current condition of the Japanese economy show that the wide moves by Japanese industrialists and businessmen to back the Colombo demands of the Non-Aligned Nations is, for them, a question of survival.

Every major economic indicator in Japan shows the downturn. The Ministry of International Trade and Industry estimated industrial production in the manufacturing sector to have fallen 0.8 per cent in August, and predicts a 2.1 per cent fall in September. Certified exports fell 6.4 per cent in August to a level 9 per cent below the March, 1976 peak and export letters of credit fell 13 per cent in August. Consumer spending and real income in July were both 3 per cent below 1975 levels in real terms. Domestic machinery orders fell another 11 per cent in July. So intense are the resulting liquidity pressures that consumer prices **dropped** 1 per cent in August, the biggest decline since 1971, as retailers struggled to maintain sales.

As a result of this situation, the Ministry of Finance has now ordered "a complete reassesment of the Japanese economic situation", according to the Aug. 31 Tokyo daily Mainichi. Normally the ministry, headed by Atlanticist Masayoshi Ohira, is the strongest bastion of Wall Street's influence in Japan, and hitherto was the foremost proponent of the lie that the mythical U.S. upswing would save Japan.

The renewed downturn that began early last winter was postponed into 1976 with a deal worked out in a secret Sept. 1975 meeting between Economic Planning Minister Takeo Fukuda and David Rockefeller. Under the deal, inflationary credit policies in the U.S. allowed a fantastic growth of Japanese exports to the U.S. of consumer durables. This kept the rest of the economy afloat, but only through early spring of this year. Wall Street's international austerity policies caused an overall decline in Japanese exports beginning in April and an overall production decline beginning in May. By July, Rockefeller was no longer able to maintain inflationary credit mechanisms within the U.S. itself, and lines of consumer credit were pulled back. As a result, Japan exports to the U.S. fell 3 per cent in July, letters of credit for exports to the U.S. in August were only 22 per cent above 1975 levels compared to 45-50 per cent increases in previous months.

The end of the Rockefeller-Fukuda gimmick not only caused the economic current downslide, but it precipitated a severe liquidity crisis among Japanese corporations beginning in June and July. Up to that point, the booming export-oriented corporations supplied liquidity to other firms through the commercial paper market while bank loans declined. This ended in June when new bank loans were 36 per cent above year-before levels, the first year-to-year monthly increase since January. In July, there was a record decline in corporate bank deposits because the firms lacked the cash to pay summer bonuses and other immediate bills. With deficit-ridden, illiquid corporations unable to pass along wholesale price increases (now at 10-12 per cent annual rate) to either consumer or export markets, corporations can only survive through massive bank borrowing. However, the Bank of Japan, which fears the 30 per cent -plus inflation that would quickly result from this process, is tightening, not loosening, credit.

Battle For The Yen

Concomitant with this intensifying illiquidity pressure caused by the decline in exports to the U.S., the New York banks and the U.S. Treasury Department have stepped up pressure on Japan to bail out the dollar by revaluing the yen and increasing imports from other countries deep in debt to the New York banks. Hitherto, what had been labeled the economic policy of Prime Minister Miki's administration was in fact a Fukuda policy which dragged Miki along. As of this summer, however, Miki decided that Japan could not obey the U.S. dictate on yen revaluation-trade deficit. Fukuda insisted that Japan must, and lauched a drive to oust Miki from power.

Subsequent economic developments have shown that no matter how much Rockefeller's agents in Japan — such as Fukuda, Ohira, and the editorial staff of the Asahi Shimbun — might like to comply, they cannot. Following the unsuccessful visit to Tokyo of U.S. Treasury Undersecretary Edwin Yeo to enforce the yen policy, the Finance Ministry — under industrialist pressure — sent Vice-Minister Michiya Matsukawa to Washington and Europe to explain why Japan could not carry out the policy. A document released by Yeo as a joint communique with Matsukawa — which Yeo later claimed was an internal U.S. Treasury memo — shows that Matsukawa did not concede to the revaluation, according to the text printed in the Sept. 5 Yomiuri Shimbun. Now, it is announced that Yeo and Treasury Secretary Willian Simon will visit Japan both before and after the October International Monetary Fund meeting in Manila in yet another attempt to force Japan to comply.

It should be noted that the current rise of the yen above 288 to the dollar is not an implementation of the Rockefeller policy, but a consequence of the worldwide fall of the dollar, and does not help the New York banks.