

Japan Sets Energy Links With USSR

In Response To Rigged Currency, Oil Crisis

Intense pressure from the U.S. Treasury Secretary Werner Blumenthal on the Japanese yen and pressure from Richard Struass, U.S. GATT negotiator, has produced precisely the opposite response in Japan the U.S. Administration had intended. In the last weeks, the Japanese have sought to fight for the survival of their economy by achieving a new level of economic cooperation with the Soviet Union.

The Japan-Soviet deals include the following:

1) On Nov. 18, a private level agreement will be signed whereby Japan will supply four nuclear reactors to the Soviet Union and the two countries will begin cooperative efforts in research and development of both fission and fusion power. The Soviet delegate, A. Petrosyants, chairman of the Soviet State Committee for Utilization of Atomic Energy, will also arrange for a January 1978 meeting of a government level cooperative committee. An agreement to set up such a government level committee had been signed in 1973 but its meeting had been blocked up until now.

2) On Nov. 15, in San Francisco a three-way meeting will be held including the Soviet External Trade Organization, such U.S. companies as El Paso Natural Gas and Occidental Petroleum, and the Japan-Soviet Trade Committee of Japan's business federation, Keidanren. At the meeting the Soviets will propose an \$8-\$20 billion joint investment in the Yakutsk (Siberia) natural gas project. Japan and the U.S. would each receive 10 billion cubic meters of natural gas per year for 33 years. This would supply energy equal to 1.5 percent of Japan's current annual oil consumption. This offer follows a recent major discovery of oil at the Sakhalin fields (Siberia) which involved participation by Gulf Oil of the U.S. as well as a Japanese consortium. The amount of oil from one field alone is equal to 1.5 percent of Japan's current consumption.

3) Japan and the USSR are now discussing a major transport project which would involve building the necessary transport infrastructure for Siberian development as well as containerizing Soviet and Japanese ports.

"U.S. Plotting Something Horrible"

This week, the Japanese also began to bring into the light the intentions of Messrs. Blumenthal and Strauss, not only against the Japanese economy but that of the U.S. The Nov. 6 *Yomiuri Daily News* reported that government sources say that the "abnormal" currency pressure on the yen and other currencies was partly instigated by Blumenthal and partly caused by the U.S. trade deficit, itself a product of high oil imports. The reason for such high oil imports? The U.S. is adhering to

a policy "of not consuming domestically produced oil" because "the U.S. is plotting something horrible." The *Asahi Daily News* Nov. 3 had spelled it out: "The assessment of the U.S. is that a new Mideast war may be near."

The Japanese government source recognized that there is a severe fight within the U.S. Administration over these issues. Trade negotiator Robert Strauss was scheduled to visit Japan in mid-November, but his trip was postponed for at least two months because of "lack of consensus within the Administration," say Japanese government sources.

Deputy Trade negotiator Alan Wolff told a Japan Society meeting in New York that Japan's entire economic structure, particularly the close linkages of producers, traders and bankers, impeded imports. It is this system which allowed the technological development of Japan's economy.

Japan's representatives have tried to make a deal with more conciliatory sections of the Administration. Japan offered to take \$3 billion worth of emergency imports on a world scale including a \$1 billion worth of uranium from the U.S. and according to the Nov. 6 *Yomiuri*, one faction of the Administration is agreeable: Japan threatens to buy enriched uranium from the USSR if the U.S. won't sell.

Similarly, the Federal Power Commission is reportedly trying to block acceptance of the Soviet-Japan efforts to develop the Yakutsk natural gas project. In contrast, informed sources reveal that individuals such as Pepsi Cola's Donald Kendall and foreign policy expert George Kennan are urging U.S. participation.

According to the Japanese press, at the request of "the U.S. government," Japan and West Germany are urging Indonesia and Iran respectively to freeze oil prices for another year.

Japan is also seeking international cooperation to halt currency speculation with Bank of Japan Governor Morinaga making coordinating efforts with West Germany.

China Gambit

At the Bank of International Settlements meeting last week, bankers associated with the City of London answered Japan's proposal for international coordination by diverting discussion to Japan's trade surplus.

Another option to wreck the emerging Japan-USSR cooperation is the debate over the as yet unsigned Japan-China treaty. China has been pressuring Japan to sign a treaty which includes a clause attacking "hegemonism," widely seen as a codeword for opposition to the Soviet Union. Japan's Foreign Ministry has opposed signing on grounds that this would disrupt trade and other relations with the USSR. Suddenly over the last ten days, the Foreign Ministry reversed itself, and has urged signing of the treaty to "call the Soviet Union's bluff."