The following article appeared in last week's IPS October 24, 1975. It is being reprinted because of an error in production.

The Way Out for Japan

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 European 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 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.