

Japan Looking For A Way Out Of The Dollar System

There were simultaneous visits to Japan last week by U.S. Defense Secretary Brown and West German Economics Minister Friderichs. Brown, who was on his way back from Korea, offered the Japanese a tightened military alliance with the U.S. against the Soviet Union, calling on them to step up their military arms program and support Washington's confrontationist posture in the Far East. Friderichs, in contrast, to the protectionist and trade war threats brandished by the Carter Administration, offered Japan expanded economic cooperation and trade. He told the Japanese that he did not buy the protectionist lies against Japan circulated by the U.S. within Europe.

JAPAN

The Japanese, especially industrialists and their political spokesmen, are casting about in search of an alliance to protect themselves from the collapse of the dollar monetary system. Every step toward an alliance with Europe and the Arabs is taken with fear and trepidation over the dangers of an open break with the U.S.

Last week a high Japanese government official revealed that Japan is firmly committed to the establishment of a joint Japanese-West German axis on all major economic and political questions. The axis is a result of the total mistrust the Japanese feel towards the Carter government.

Relations between the U. S. and Japan are now entirely characterized by threat, provocation and unremitting pressure, all emanating from Washington. Japan cowers when U.S. trade accounts, which make up about a quarter of Japan's trade, are being played with by Carter spokesmen like U.S. Ambassador Mike Mansfield. In a recent speech in Tokyo, Mansfield warned the Japanese to reduce their trade surplus with the U.S. or face trade war and protectionism. Treasury Secretary Blumenthal regularly accuses the Japanese of being responsible for all U.S. economic ills and other crimes like holding down the value of the yen.

No World War II Replay

While some Japanese are perfectly prepared to play the servile role assigned to them by Carter, the mood in Tokyo is far from receptive to the new U.S. "equal partnership" diplomacy of the Carter-Trilateral Commission regime. Articles in the Japanese press ridicule

the protectionist charges thrown against them. They suggest, on the contrary, that it is the weakness of the dollar and the U.S. economy that is responsible for U.S. problems, and, furthermore, the real problem lies in a crisis of the present international monetary system. One business commentator in the daily *Yomiuri* compared the present situation to 1932, complete with trade war and his expression of Japanese fears at the international isolation being imposed on them.

Japanese business circles are seeking to avoid the solution to isolation that Japan took the last time around, a route which ultimately ended in the Pacific War with the U.S., or as the Japanese call it, the Greater East Asia War. Therefore they are simultaneously trying to avoid an open break with the U.S. while equally strongly trying to build alternative economic alliances that will give their economy outlets for an expanding trade, access to the raw materials and energy sources their resource-poor nation needs, and a structure that will provide the political stability and security they seek. Japanese business leaders and the patrons of the dollar empire do not see eye to eye on the developing sector as exemplified by Mitsubishi Corp.'s chairman Fujino who pointedly announced that "the world of today is vastly changed. It is not a place where force can be used to recover bad debts."

The attention of the "shigenha," or "resource faction," and its spokesmen in the Ministry of International Trade and Industry is directed in several directions — toward Southeast Asia, their most important trading partner; toward the Middle East and OPEC where Japan's energy comes from; toward China, a major trading partner and potential source of oil, coal, and other resources; toward the Soviet Union, another large trading partner whose huge Siberian petroleum reserves Japan wants to develop; and not least of all toward Europe, and in particular West Germany.

ASEAN Line Up

In Southeast Asia, the Japanese have already established significant business ties with Vietnam while American firms stand aside. The other trade target is ASEAN; the Association of Southeast Asian Nations (see article this issue). Japanese sources report that Fukuda will pledge \$1 billion toward ASEAN's development projects, probably in yen loans after this week's ASEAN summit. Such a pledge would increase a tendency toward yen financing of trade and development in the region, a process identified by some as movement

toward a "Yen bloc" to replace the dollar role in the region.

Well informed sources report that the U.S. National Security Council, and Treasury circles when informed of Japan's plans to use both the yen and loan type arrangements for the region denounced Japan's plan as a "French-type post colonial policy!"

The Yen Question

The U.S. fears over the yen are not simply limited to Japan's plans in Southeast Asia. Japanese banking circles are trying to distance Japan as much as possible from the shakey dollar empire. Ichiro Takeuchi of the influential Bank of Tokyo captured Tokyo's feeling in a front page article for the August 1 *Mainichi Daily News*; he wrote that "Japan's economic independence and its influence in the world economy have made its total and continued dependence on the dollar for its external trade 'unnatural' and irrational." Takeuchi then called for a shift to yen financing in both import and export trade warning that Japan's dependence on Eurodollar and New York bank funding for short-term borrowing could be disastrous should another "Herstatt Bank incident" develop. Takeuchi's fears were seconded in a recent report on the New York banks' debt situation by the Ministry of Finance, which predicted the development of a disastrous loan crunch for the banks in the 1978 to 80 period.

The Japanese moves away from dependence on the dollar are right in line with recent developments in Europe. Although Japan's official ties with the EEC are still weak, the Japanese are not as isolated as they may at first seem. Indeed after the United States the biggest single group of foreign banks in the City of London are the Japanese. According to the July 26 *Financial Times* of London, together the Japanese banks in the United Kingdom had currency deposits of £14.6 in mid-June, equivalent to over 12 percent of the total held by United Kingdom banks. Many Japanese banks also have links to British and French banks with the connections between the Industrial Bank of Japan and the Rothschild family being the most outstanding.

China, Japan and the EEC

As part of joint operations against the dollar a Japanese-European understanding to develop China without the "assistance" of Chase Manhattan now appears to be growing in the aftermath of the return of Teng Hsiao Ping. Japan's press and political leaders have widely hailed the return of Teng, with the Asahi proclaiming that his return could lead China on a path of greatly expanded internal economic development thus giving far greater emphasis to the "Second World" of Europe and Japan while distancing China from the "two superpowers." Many Japanese feel that Teng's return will greatly enhance Japanese-Chinese negotiations for a peace treaty since they believe Teng would be willing to reach a compromise with Japan to tone down the anti-Soviet content of the treaty. Such hopes are not at all unfounded. In a May 10 interview in the Japanese-language magazine *Economist*, Toshio Doko, the head of Japan's big business federation who had then just returned from China himself, noted that the Chinese had downplayed

their previous hostility to Japanese investment in Siberia. When asked if China "did not say anything as to what Japan should do toward the Soviet Union?" Doko answered: "They did not say a thing. When I met Chou En-lai previously, the construction of the second Siberian Railway happened to become a topic...This time, however, nothing like this became a topic." Doko then called on the government to promote a major economic agreement with China to ensure Japanese supplies of coal and oil over the next five years.

Doko then visited the Soviet Union and upon his return called for greatly expanded Japan-Soviet cooperation around nuclear energy in particular which he said should be modeled on West Germany's large uranium reprocessing agreements with the Soviet Union. A joint Japanese-European commitment to develop China, Southeast Asia and the Soviet Union backed up by Arab money and non-Rockefeller banks like Bank of America in the U.S. would decisively free all of Asia from Rockefeller control. Already the Bank of America in alliance with Dai-ichi Kangyo Bank, and other key European banks are expanding their Hong Kong operations with the expressed purpose of weakening Chase.

The Political Consequences

The recent Japanese economic moves have also been reflected in Japan's political circles. Right now, Japanese Premier Fukuda, a top ally of Wall Street, is subject to intense ridicule in Japan's press for his economic incompetence. The press almost universally blasted Fukuda's opening speech to an extraordinary session of the Diet, where he laid out his optimism about an economic recovery being just around the bend, as absurd. In essence, Fukuda is being allowed to survive as a figurehead premier for business policy until arrangements for his successor can be worked out. Sophisticated circles are now discussing the possibility of Toshio Komoto, an anti-Fukuda party leader and businessman who is a close ally of former premier Miki, stepping into Fukuda's shoes in the near future.

The linchpin in the entire Liberal Democratic Party (LDP) political situation is former premier Tanaka who still maintains enormous power inside the ruling party despite his political discrediting in the Rockefeller engineered "Lockheed Scandal." Tanaka until now has been Fukuda's major supporter inside the party along with his former ally LDP leader Masayoshi Ohira. Tanaka has used his alliance with Fukuda, historically his bitterest enemy in the LDP, to buy time to rebuild his own economic and political power base. And that base is decidedly anti-Rockefeller. Indeed, for a long time Tanaka has worked very hard at cultivating ties with anti-Wall Street forces. Tanaka's leading business ally, Kenji Osano (also heavily implicated in Lockheed), spent some time in the West even going so far as to try to purchase a Las Vegas hotel which he hoped to use as a base of operations to develop contacts. Tanaka is best described as someone who will go where the money is especially if it means weakening his old enemies and the New York banks. The recent shift of Japan's business community away from the dollar is obviously affecting Tanaka and it is only a question of time before he too decides to remove Fukuda.

— K. Coogan