

Japan's contribution to Mideast peace

Former Prime Minister Miki: 'We can help the Arabs industrialize'

On Oct. 10, former Japanese Prime Minister Takeo Miki took time out from a busy schedule for an interview with Executive Intelligence Review correspondent Peter Ennis at Miki's Tokyo residence. Their wide-ranging discussion touched on the Middle East and the Camp David summit, the need for global cooperation to develop new energy sources, and the recently concluded treaty between Japan and China.

EXCLUSIVE INTERVIEW

Mr. Miki, who served as Prime Minister from 1974 through 1976, is perhaps best known in the West for his role in formulating Japan's foreign policies. He was an architect of normalizing relations with China, and, as Deputy Prime Minister following the 1973 oil crisis, played an important role in developing oil-for-technology deals with the Arab nations to assure Japan's energy supplies.

But Miki, the leader of a small but influential faction within the ruling Liberal Democratic Party, has also continued to play an important part in internal Japanese affairs since stepping down as Prime Minister in 1976. With a December election scheduled for the presidency of the LDP — the LDP president is automatically the party's choice for Prime Minister — the Japanese press is speaking of the key role Miki will have in helping determine if incumbent Prime Minister Takeo Fukuda survives several heated challenges for his position. Miki is involved in almost-daily campaign strategy meetings.

Q: I hope to discuss with you two main issues, Japan's foreign policy and international energy policies.

You were in the Middle East last summer. Can you tell me a little bit about your trip, and your views on how Japan can contribute to bringing about peace in the area?

Miki: Well, so far as the peace issue in the Middle East goes, the United States has an important role to play because the U.S. is the only power which has any controlling effect on Israel, and this is one of the key factors involved. There is nothing Japan can do directly, but we can help the Arab countries accelerate their industrialization before their oil resources are exhausted. The economic stability of the Middle East will of course contribute to achieving peace there.

Q: So you would agree with the oil-for-technology deals that Prime Minister Fukuda concluded with Saudi Arabia during his recent visit to the Middle East. This is an example of what you have in mind?

Miki: Yes.

Q: So then, what was your view of the Camp David summit?

Miki: Well, when I met with President Sadat in Alexandria, he stated that he had no intention of bringing about a unilateral agreement with Israel without the participation of the other Arab powers. But, apparently at the Camp David meeting President Carter persuaded (laughter) Sadat to the final agreement. So, of course a general solution to the problem would, perhaps, be the ideal solution, but apparently Sadat chose the more realistic approach feasible under the conditions. And in the background was a feeling on the part of both Israel and Egypt that they did not want to wage war. And also, the economic situation in both countries is quite critical.

Q: So Sadat told you he would not take unilateral action, but President Carter persuaded him?

Miki: Maybe, I don't know. (laughter)

Q: Some people have been suggesting that the recent flare-up of the situation in Lebanon may have something to do with the failure of the Camp David agreement to deal with the Palestinian question to the satisfaction of most Arab countries and the PLO. So, is it realistic to have discussions on the Middle East without the participation of the Palestinians?

Miki: The issue that is perhaps most central to the Middle East is the Palestinian issue, so it may not be realistic to exclude the PLO from the general solution. Apparently President Sadat thought that by taking a unilateral approach, in the process the Palestinian issue would also be solved. Sadat had repeatedly mentioned to me that the crux of the issue was the Palestinian problem, so when he went to Camp David he must have been very conscious of the fact that the Palestinian issue could not be ignored. But in spite of that, the Camp David agreement was made.

On fusion power

Q: I know that you have been an advocate of nuclear fusion development in the past, as has your colleague, Trade and Industry Minister Komoto. Were you happy

with Prime Minister Fukuda's proposal to President Carter for U.S.-Japan cooperation on fusion development?

Miki: Fukuda's proposal is a good one because this matter of fusion, and development of other alternate energy sources, is vital for Japan.

Q: Now that Fukuda has made this proposal to the United States, have you thought about even broader, international cooperation on fusion development? Japan has raised this issue with Moscow, and there is limited cooperation between the Soviet Union and the U.S., so we seem to have the potential for at least three-way cooperation.

Miki: Well, this issue of developing new sources of energy is an international issue, and for this reason international cooperation is highly desired.

Q: Let me ask you a more philosophical question. We have found in the United States that the potential development of fusion has significantly refuted the argument that energy resources are limited, and the general limits to growth outlook. So, what is your view on zero-growth, the "economics of scarcity," and other similar philosophies that the Club of Rome has been associated with in the past?

Miki: Well, I am not pessimistic on growth issues, because natural resources may be limited but the resources of human knowledge, our intelligence, is so great that a solution can always be found to promote continued growth. So, mankind will find a solution to the energy problem. In the process of developing fusion, coal resources can be utilized, and of course there are the conventional nuclear power plants.

On relations with China

Q: Many things have occurred in Asia over the last few months, the biggest event being the conclusion of a treaty between Japan and the People's Republic of China. What is your opinion on the treaty, both its historical significance as well as its immediate practical significance for the Asia region?

Miki: The significance of the Japan-China treaty lies in the fact that in the past it was the unstable relationship between the two countries which had caused the instability in this part of the world. So the importance of this new treaty is that it does become an important element in bringing stability to Asia, as well as the fact that the treaty stipulates that hegemony will not be recognized. This is welcomed by the countries of Asia. So, the treaty should help prevent the outbreak of war in the future.

The Soviet Union is unhappy with the treaty because it contains the so-called "antihegemony" clause. However, the treaty does not specifically designate the Soviet Union as the target of the treaty, so therefore, the Soviets have nothing to complain about so far as

the specific provision of the treaty is concerned. However, they are unhappy because it does challenge their stand in the Far East. The only thing that can be said about the situation is that only the future can tell how the situation will develop.

Q: I would say that the way the treaty was finally concluded reflected many of the views which former Foreign Minister Miyazawa used to express, namely that opposition to "hegemony" is an international principal and not specifically directed against any one country. As I understand it, for a long time China did not want to sign the treaty if it included such a third country clause. Really, the long, drawn-out negotiations over the provisions of the treaty were a question of whether the treaty would be signed on China's terms, or whether a compromise would be reached.

Miki: Well, so far as the third-party clause is concerned, there apparently was no opposition on the part of China to including this. During my administration (1974-1976), the situation in China itself prevented the earlier conclusion of the treaty, because both Mao and Chou were very ill, and the internal situation was such that it was not possible to sign on the part of China. The situation there was very unstable. The third-party concept was already included in the joint statement issued by the two countries some years ago, so it is not a matter of which country won, or was stronger at the negotiating table. The treaty came to fruition because there was a demand on the part of China that it be concluded. They said they were ready.

Q: Foreign Minister Sonoda voiced in an interview published in the United States some months ago some concern over China's policy toward Indochina. His words were something to the effect that before Japan and China should worry about the hegemonistic policies of other countries, both Japan and China should make sure they do not have hegemonistic intentions themselves. Do you have any concerns about the situation in Indochina, and in particular, China's role in that situation?

Miki: I think it impossible for either Japan or China to establish hegemony in Indochina, because the Soviet Union already has a strong relationship with Vietnam. In this situation it is inconceivable that China could establish hegemony there. The tension in that area may be relieved, but this will take a long time.

Q: Many people in the West have claimed that the Japan-China treaty represents a major tilt by Japan away from equidistance in foreign policy toward China — a fundamental shift in Japanese foreign policy. Do you interpret the treaty in this way?

Miki: The relationship between the United States and Japan is very special, and taking this into account, it is impossible for Japan to be tilted toward any one country.

Q: So you would completely separate Japan's relations with China and Japan's relations with the Soviet Union?

Miki: It may not be possible to separate these two issues, but Japan will endeavor to improve relations with the Soviet Union. This is an inevitable thing for Japan, but it takes time.

Q: Well, shortly after the treaty was signed between Japan and China, Yuri Brezhnev, President Brezhnev's son, who is a Deputy Soviet Trade Minister, visited Japan, and the Japanese press reported that

Mr. Brezhnev made a series of proposals to Japan on economic cooperation which were apparently similar to the proposals his father made to Chancellor Schmidt when he was in Bonn last May. Very broad-ranging and long-term cooperation proposals. Do you consider this type of economic cooperation one way that Japan and the Soviet Union could improve relations?

Miki: The improvement of relations between the Soviet Union and Japan can take place in great part through economic cooperation.

Tokyo capital market puts muscle behind 'Bremen East'

The Japanese are making "banzai" charges again, announced an alarmed London *Financial Times* on Oct. 26, only this time it is Japan's bankers rather than its soldiers that are threatening the British Empire.

Over the last year Japan has emerged as a major international financier. Its overseas loans have almost tripled, to an annual rate of \$13-15 billion this year, versus \$5.3 billion in 1977. (See Figure 1.) Behind this amazing growth lies a new institution yet little noticed in the U.S. press, the Tokyo capital market.

Japan has been involved in normal, private international lending since the early 1970s. The new Tokyo capital market, however, is being implemented by joint government-private cooperation to rechannel dollars, now being primarily used for rollover and/or speculative purposes, into long-term productive uses. Since approximately last February the Tokyo Capital Market has functioned in conjunction with West German and French efforts and the emerging European Monetary System first formalized at this past summer's summit at Bremen as the seed-crystal of a new international monetary system. Japan intends to make the efforts to reform the monetary system the subject of next summer's heads-of-state summit in Tokyo.

The ultimate purpose of the Tokyo Capital Market was made clear at an emergency meeting of Japan's Finance Ministry on Oct. 25, called to deal with the rise of the yen above 180 per U.S. dollar. At the meeting the Finance Ministry decided that measures must be taken to either freeze or recycle back to the U.S. the \$500-600 billion pool of loose dollars which serve as a hotbed of international monetary turmoil. Japan intends to propose such measures to the meeting of the Organization for Economic Coopera-

tion and Development, and the advanced capitalist industrial nations, at the end of November as well as the upcoming Tokyo summit. At the same time, Japan proposed immediate large-scale swap arrangements to stabilize the dollar, a move incorporated in President Carter's Nov. 1 announcement of a dollar-support package.

The heart of the Tokyo capital market is the cooperative relationship between the Bank of Japan and selected commercial banks there. The BOJ has been lending dollars to these banks at somewhat less than Eurodollar rates, the source of those dollars being the speculative inflow into Japan. As a result, the private banks have an added margin of profit, enabling them to make long-term, productive loans for capital development projects in the developing countries. In certain cases, the Japanese banks have made loans at rates undercutting the prohibitive Eurodollar rates. In the case of yen-denominated loans, the rates have been as low as 7.5-8.0 percent per annum, far below the 10-13 percent rates prevailing on the Eurodollar market. As a result, many developing countries, unable to borrow for capital projects at the higher rates, have now borrowed from Japan to revive stalled industrialization programs.

Japan's challenge to offshore banking's high-interest-rate regime has drawn a predictably sharp reaction from austerity-minded officials. The U.S. Treasury's C. Fred Bergsten, for example, one of the architects of the dollar's fall, denounced the Tokyo capital market as a form of "credit dumping analogous to export dumping." An almost apoplectic *International Currency Review* — published by the Rothschilds — told its readers in September, "It could well turn out that the origins of the 'crash of '79' should