
Interview



Nobuhiko Ushiba 'Volcker spurs inflation'

EIR interviewed Nobuhiko Ushiba, the Japanese cochairman of the Shimoda Conference, during a postconference trip to New York. Ushiba, a close associate of former Prime Minister Takeo Fukuda and Japan's ambassador to the United States in 1970-73, is one of Japan's top officials in the area of Japan-U.S. relations. In 1977 he was appointed minister for external economic affairs with special responsibility for negotiating Japan-U.S. trade disputes. A career foreign ministry official, Ushiba currently serves as the Japan chairman of the Japan-U.S. Economics Relations Group (the "Wise Men Group"). The following are excerpts from the interview:

EIR: The Shimoda Conference showed remarkable frankness by the Japanese side on certain economic and foreign policy issues and our readers would like to hear directly from a Japanese participant his views on some of these issues. One of the areas of difference between the two sides was the Volcker interest-rate policy.

Ushiba: We Japanese are not very happy with the high U.S. interest rates, and we have expressed this view to the U.S. through various channels. The U.S. participants countered that the high interest rates are necessary to combat inflation. The U.S. does not seem to see any other way. So for the time being we must wait and see.

However, the high interest rates are causing problems. The U.S. dollar is too high because of the interest rates and this is causing U.S. exports to lose competitiveness, which leads to a U.S. trade deficit and balance of payments problems.

There should be other ways to fight inflation, not just monetary policy. Some people in the U.S. are afraid that high interest rates may aggravate inflation rather than reduce it. Japan is also afraid of this. So we hope that the U.S. interest rates will come down.

EIR: Let me turn to foreign policy. There was a big difference of view on the China question.

Ushiba: We both agreed that it is very important that

China be a friendly country in light of the international situation, i.e., implying the Soviet threat.

However, there was a difference in what the two sides thought China could do. The U.S. was much more optimistic on the pace at which China's modernization could proceed. The Japanese participants thought it would take a much longer time.

EIR: What about the U.S.-China security partnership?

Ushiba: Both sides agreed there should not be a U.S.-China military alliance. Japan was concerned that the U.S. might hasten sale of offensive weapons to China. The U.S. side made it quite clear, however, that the only intention was to sell small arms, defensive weapons. So, if the U.S. sells only these defensive small arms, then we don't disagree.

EIR: There has been some debate about the kind of economic aid that should go to developing countries. Whether it should be for industrialization, or small-scale basic-needs type aid?

Ushiba: There are two categories of countries. Countries which are industrializing should get aid to help this process, but the least-developed nations need aid in agriculture and basic-needs infrastructure. Japan has pledged to double its economic aid in the next five years.

EIR: There is a question of which countries go in which category. For example, where do you put Indonesia or Malaysia.

Ushiba: Oh, Indonesia definitely belongs in the industrializing category and Malaysia even more so.

EIR: Is there concern in Japan about ASEAN [Association of South-East Asian Nations] fears regarding China, or Soviet reaction to U.S. security ties to China?

Ushiba: Yes, there are these concerns. We mentioned this repeatedly to the U.S. participants, particularly the ASEAN concerns. ASEAN nations definitely don't want the U.S. to ally militarily with China.

EIR: Could you elaborate Japanese views on the Soviet threat question?

Ushiba: Both sides agreed that there is a Soviet threat because of its military arms buildup. But we are not clear about the intentions of the Soviet Union. The U.S. believes the Soviets intend to use the armaments buildup as a political weapon. The presence of Soviet armaments may be felt very keenly.

Japan looks at the situation in a local or regional manner. The U.S. keeps telling us to look at it globally. As far as the possibility of a Soviet armed attack in the Far East, we don't think that it is a great possibility.

So there is a difference of views between Japan and the U.S. participants on the degree of Soviet pressure

and on the urgency.

EIR: There are a number of hotspots, e.g., Indochina,

Afghanistan, Mideast. Do you see these as posing the danger of a major war?

Ushiba: The key hotspot is the Middle East. Both sides agreed that the major cause of trouble there is not the Soviet Union, but the unsettled situation internal to the region.

EIR: Mr. Amaya indicated he saw the Israelis as a major problem and the overall Arab-Israel tension.

Ushiba: Not only Israel or Arab-Israel tension. The American participants pointed out the internal instability in Saudi Arabia was also a problem.

EIR: Mr. Haig seems to think the Soviets are the biggest problem in the Mideast.

Ushiba: Well, they may be, but the majority of American participants at Shimoda felt internal regional problems were more important.

EIR: Some Japanese commented that, to the extent that a Soviet threat exists military responses alone are not sufficient.

Ushiba: For Japan, what we must do is strengthen our own defenses while at the same time keeping channels open to the U.S.S.R.

EIR: Senator Glenn at the conference and Henry Kissinger in a *Yomiuri* interview indicated Japan should play a regional military role. Do you agree.

Ushiba: Japan will have to play a regional role rather than a global role. We can make contributions regionally on both the military side and the economic side. Our regional military contribution is to strengthen our own defenses. On the economic side we can give economic aid to strategically important countries like the ASEAN countries and China.

Interview

David MacEachron: 'We are seen as too volatile'

The following is excerpted from an interview with David MacEachron, President of the Japan Society, the U.S. sponsor of the Shimoda Conference. Prior to taking this post at the Japan Society, MacEachron served 12 years as

assistant to the president of the Council on Foreign Relations. For five years he was employed by the U.S. government during the Marshall Plan program in Europe.

EIR: The Shimoda Conference was marked by major disagreements between the Japanese and U.S. delegates, in which the Japanese expressed their disagreements in unusually blunt terms. Why are the disagreements so strong?

MacEachron: The disagreements are there, but they are somewhat muted. The disagreements stem from the basic difference in the circumstances of the two nations. The U.S. is global, with global responsibilities. Japan still looks at itself as an Asian country, as regional. Even though Japan acts globally, particularly on economic matters, it still thinks regionally.

The two countries also have a different history in the past four decades. The U.S. has assumed world leadership in a global coalition. Japan mostly focused during the same period on its own reconstruction.

I still remember in the late 1930s how the U.S. population wanted to stay out of world turmoil. In 1940, when the war in Europe had already begun, the U.S. draft won by only one vote. The U.S. forgets how strongly we wanted to stay out of world affairs at that time. Japan has a similar feeling. And, of course, its one real experience with world affairs in the 1940s was a disaster.

But, to be candid, the other problem is that we have not had good leadership in the U.S. for the past 20 years but particularly in the last couple administrations. This is not a party matter—it has occurred no matter which party was in power. Often feckless and dangerous policies have been launched.

Look at the Carter era. For no good reason, Carter got this idea of withdrawing U.S. troops from South Korea. I don't know why. The Koreans didn't want them withdrawn, neither did Americans, except for a small minority. This worried the Japanese.

On energy, the U.S. really flip-flopped. For years we had been telling Japan nuclear energy was fine, and aiding their nuclear development. Then, for the certainly laudable reason of dealing with nuclear proliferation, Carter suddenly told the Japanese in rather blunt terms to stop their nuclear fuel-reprocessing facility at Tokaimura.

Then, after the Soviet invasion of Afghanistan, Carter made that silly statement that he had learned more in 24 hours than he had ever known about Soviet intentions. Then Reagan and Haig come in. And they make it sound like the only problem in the world is the Soviet Union, which is certainly a big problem but not the only problem.

Now I know from working with allies since the Marshall Plan days that there is a certain tendency on

their part: if the U.S. is weak, they complain; if the U.S. acts too strong and doesn't consult with them, they complain. So, I'm familiar with all that. But this is different. In the past two administrations there have been some very worrisome policy trends, and, of course, the Johnson administration's Vietnam policy.

The Japanese see the U.S. as too volatile, and there is a great deal of nervousness about the extent to which we are dependable. One Japanese said, "You change so fast you can't even remember the name of your current wife."

EIR: What about Reagan's economic program?

MacEachron: On the economy, they see Reagan going for a gigantic defense buildup. Now, we give Japan a hard time on the economic issues, i.e. trade. They turn around and tell us that U.S. productivity is lousy, U.S. investment is lousy, etc. Reagan comes in and announces some drastic measures to revive the economy. Japan applauds this effort. They want the U.S. to take leadership; they want a strong U.S. economy. But they see Washington going on a hell-for-leather defense buildup; which in turn leads Volcker to apply monetary tightness to counter the fiscal looseness. The Volcker high interest rates in turn raise the value of the dollar and hurt U.S. exports, and cause bilateral problems with Japan.

They hope Reagan's program would succeed. And both U.S. and Japanese delegates felt if it didn't, U.S.-Japanese economic frictions would increase. But, there is a great deal of skepticism in Japan about the Reagan economic program. They wonder about the high interest rates—they are not as negative as what I read in the papers about Europe—but they say it causes trade deficits.

They also wonder about tax cuts.

They see Reagan going for both defense spending and anti-inflation. They think the anti-inflation fight is more important. One participant pointed out that in the 1960s the Soviet Union could count on support from indigenous communist parties in many countries; now there is hardly any party loyal to Moscow. So they see a Soviet problem, but it is not alarming to them. And it is not overriding. They think the U.S. exaggerates the danger of the U.S.S.R., and they are skeptical of U.S. perceptions. So for the Japanese, reviving the U.S. economically is more important than a defense buildup.

EIR: They also criticized the U.S. strongly on the China issue.

MacEachron: They think the U.S. is moving too fast and too far with China. On the economy they know that economic development is inherently destabilizing to a certain extent. They had their own China romance a few years back and got burnt with all those canceled contracts.

They also wonder how dependable China is. With

only a few men running the regime, changes can be very uncertain and quick.

One point that kept coming up was the fear by the ASEAN countries of China, particularly by Indonesia. Incidentally, they also mentioned ASEAN's concern about any big Japanese military buildup.

The U.S. delegates generally responded by saying China was so backward militarily it would be years before China was a threat to anybody, ASEAN or the Soviets.

EIR: Japan is moving ahead in many areas of technology. We see some signs of technology tieups with the West. Is this a few token concessions to avoid frictions as in auto, or is this substantial?

MacEachron: This was not discussed at that much length at the conference. I would say this, however. The leadership of Keidanren [the major big business federation] and of the government wants the U.S. to be strong. Japan is really prepared to work with us.

On the other hand, they are still a very insular people. They still don't appreciate the degree to which their behavior affects the whole world and feeds back into Japan. They still feel they can go as fast as they can. And they feel we should too.

The older generation in Japan, which is still running the country, is very grateful to the U.S. for helping them rebuild after the war. However, the generation now in their thirties and forties do not feel as grateful. They recognize the U.S. must be strong—but this is out of cold rationality, not gratitude.

The business people are, of course, business people, but if they can succeed with cooperation in technology with U.S. firms, they will do it.

EIR: If you look at Japan's work in technology and finance, they could be number one in these areas. Do they really want to be, given the political responsibilities it entails?

MacEachron: The Japanese find it hard to see what they can do politically even in areas where they have a great interest, like the Middle East.

But I think we are going to see a much different Japan in 5 to 10 years or so. The generation coming to power in Japan is much less insular, much more international. I don't mean by this that they are all out for the U.N. or globalism. What I mean is that they are much more aware of the effect on the whole world of Japan's actions; they are no longer a small country that can take the world as a giver. And they are prepared to throw Japan's weight around, be assertive—I don't mean this in a pejorative way.

On the technology issue, this means that with Japan's security vulnerability, having a technology edge gives them leverage.