

## Japan: 'The Third World must have development'

by Richard Freeman

If Japan succeeds in its program of trade and diplomatic missions over the next month, the world may have a fighting chance to avoid the worst effects of the present potential for a major crack in the world financial system.

Long noted as the premier country in applying high technology to capital goods production for rapid increase in overall output and productivity levels, Japan is giving indications that it plans to launch technology-sharing and industrial revitalization efforts with other advanced countries, and to promote the industrialization of developing countries. Japan is attempting to draw West Germany, another nation largely dependent on high-technology goods exports, into this arrangement. A Japanese delegation of over 100 will be in Bonn Oct. 13-15. Between the two nations, Japan and West Germany command 20 percent of the world trade and maintain a presence in the Eurodollar market that is in excess of that held by the United States.

The Japanese delegation comes to Bonn with strong credentials. On Oct. 5, Japanese Prime Minister Zenko Suzuki told the Japanese Diet (Parliament), "It is essential to international peace and stability that the industrialized countries help stabilize the peoples' lives in the developing countries to eliminate the causes of instability in their political situations by contributing to their economic development."

Suzuki made these statements in response to an extraordinary request that came from Brazil, Saudi Arabia, Nigeria, Bangladesh, Venezuela, the Ivory Coast, and Mexico that Japan be the mediator between North and South at the upcoming Cancún summit of heads of state

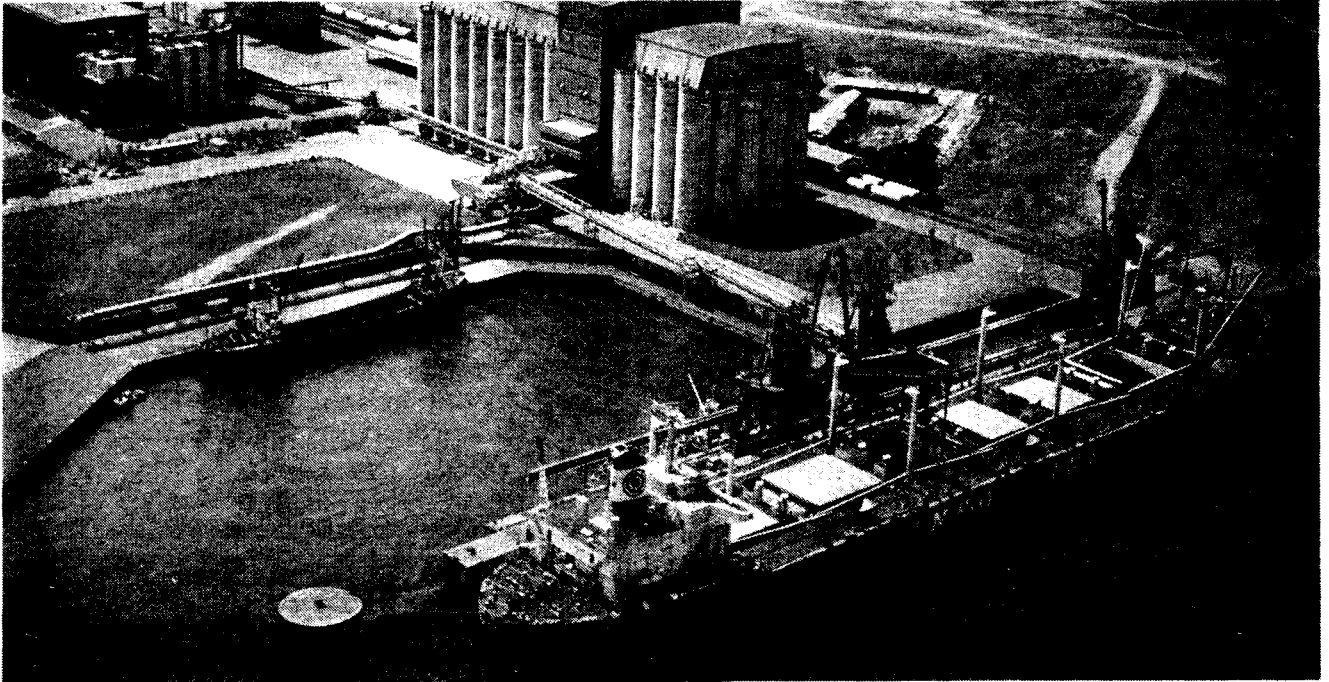
on Oct. 22-23. These nations, representing among them half the industrial powerhouses of the Third World, asked that Japan mediate with the U.S. to pressure the Reagan administration to soften its hard line against Third World lending, and to ensure that there be no confrontation between North and South at the summit. Suzuki accepted, and also accepted Mexico's invitation to attend some pre-meetings with the Third World.

The fact that Japan accepted, and will certainly make high-technology exports to the Third World the leading item on the Cancún agenda, means that the sponsors of the anti-development Brandt Commission report are dealt a major blow. The Brandt Commission had wanted either Canada's Trudeau, France's Socialist Mitterrand, or Britain's Foreign Secretary Carrington, to play the major role in discussions between North and South, establishing labor-intensive, deindustrialization schemes as well as radical population reduction as the priorities for deliberation. Now, Japan could make world economic development the major concern.

At the same time, Japan is making a major move to replace Germany and France as the number-two trading partners with Mexico, and plans to give the United States a hard run for its money to take the number-one spot.

Japanese Ambassador to Mexico Matsunaga told a delegation of Japanese and Mexican businessmen in Mexico City Oct. 5 that it was "the moral responsibility" of the advanced countries to transfer industrial technology to the Third World.

It is easy enough for the Japanese and Germans to put face up the trade tables and areas of the world where



Courtesy of Hitachi

Japan's Kashima Port: the Tokyo government has been asked to place high-technology development on the North-South agenda.

each have interests to see how to rationally uphold trade levels in those parts of the globe. Both the German and Japanese have successfully exploited the vast Soviet economy to line up several billions dollars worth of orders for the next several years with the Russians, an arrangement that will become increasingly attractive if the Volcker interest rates drive the West deeper into recession.

Between the Soviets, Germans, Japanese, Mexicans, Saudis, Brazilians, and others there is a large part of the world's trade already represented, a point that has certainly been reflected upon in Tokyo.

### A response to the IMF and BIS

The Japanese initiative comes in response to the lack of world leadership in economic affairs that was nowhere more graphically displayed than at the International Monetary Fund's annual meeting in Washington, D.C. Sept. 28-Oct. 2. While delegations sat shaking their heads over the destructive effects such policies would have on world trade levels, the IMF Interim Committee, the official steering committee of the IMF, passed its resolution, expressed in its final communiqué, calling for a curtailment of official institution lending to the Third World. This accompanies a call by Federal Reserve Board Governor Henry Wallich, at a Sept. 24-26 meeting of international bank supervisors, held at the Fed's Washington headquarters, to impose greater surveillance over private bank lending to the Third World, and to begin accounting rescheduled loans as non-performing assets on bank books. Wallich, speak-

ing in effect on behalf of the "Cooke Committee" of the Swiss Bank for International Settlements, communicated the message that now is the time for banks to draw in their horns on the international markets (see page 7).

It is one thing to be temporarily forced to cut back international liquidity; it is quite another to make such a proposition the basis of policy, as Wallich and the IMF have done and which the United States supports. Every sane banker must recognize that such curtailments of liquidity, during a period of the world's greatest illiquidity—the Third World's current account deficit is a record \$96 billion this year, and the IMF itself projects it will reach \$140 billion in 1985—is a surefire way to force one section of the world's markets to blow out. That would bring down trade and economic activity in the advanced sector. The discussion then falls back to what alternatives exist for the world economy. This is the position that Japan is developing.

In this venture, which is nothing less than challenging *politically* for the first time misguided Washington policies, Japan will have to shed its image of taking responsibility only for the Far East, and of being expert only in economics, not politics.

That Japan is beginning to move in these two areas is already evident. This has come as a rude shock to bureaucrats at the U.S. Treasury and State Department. When the Japanese delegation arrives in Bonn, after it has started its tour on Oct. 3 of Western European capitals, it will put on the table Japan's plan for top-down, integrated economic development of the Third World and the way it fosters South-South economic

ties. Representatives from the Germany's major business federations, the BDI and DIHT, as well as government officials, including Economics Minister Otto von Lambsdorff will meet their Japanese counterparts. An official at the Japanese Embassy in Bonn told *EIR* Oct. 2, "We realize that Japan's relations with Europe are not as close as they are to the U.S. and this needs adjustment. Our goal is to establish triangular relations between Europe, Japan, and the Third World. Mutual cooperation in technology transfer to the Third World, in the long run, is the only way to guarantee our economies will flourish in the future. And, he added, "if the West wants to prove to the Soviets that the West is strong, then we must build our economies again."

### **Petrodollar recycling**

The Japanese, however, have an additional benefit working for them. They are positioning themselves to become one of the world's largest recyclers of petrodollars. Japanese overseas bank holdings of Eurodollars increased to \$105 billion by June of this year, compared to \$140 billion each for Great Britain and the United States. But Japan's 65 percent growth in Eurodollar holdings between June 1980 and June 1981, if continued, would make Japan the largest holder of Eurodollars by mid-1982. A healthy chunk of these Eurodollar holdings are petrodollars. It is a well-documented fact that Saudi Arabia and other nations are pouring money into Japan's economy, conservatively estimated to be \$1 billion each month. It is the Arab component of Japanese holdings that gives Japan the ability to become a powerhouse in international lending.

Japan, for example, made \$3.4 billion in syndicated loans alone to Mexico in the July-September period this year. According to Prime Minister Suzuki, Japan plans to make an additional \$21 billion in official development aid available to the Third World between 1981 and 1985, double its rate during 1976-1980.

But Japan's financial activity would be futile were it not coupled to the Japanese industrial machine, the most developed in the world, using "American System" methods of applied high technology to industrial processes, a method that the U.S. abandoned at the end of the last century. Japan plans to build integrated industrial projects in the Third World, starting with a raw materials source, bringing in Japanese engineers and mining and earth-moving equipment, then following up with Japanese transport equipment, port development construction, heavy industrial plants, and nuclear power sources. Japan expects to ready floating nuclear power plants by the mid-1980s for export to the Third World to solve the energy problem.

On top of this, Japan is opening up an entire offensive of economic weaponry, to simultaneously develop the Third World and meet the specifications of

Prime Minister Suzuki's 1980 dictum that 20 percent of all the nation's exports should be plant and equipment. This is in keeping with Japan's commitment to a "knowledge-intensive" economy, in which the new frontiers of science define the next product mix to be produced and exported each new decade. Carrying out this export drive will be Japan's giant trading groups, which, if all the various subsidiary companies are counted, are much larger than previously accounted. Mitsubishi, Mitsui, and Sumitomo each have annual revenues of \$200 billion, when treated as consolidated companies, making each twice as large as Exxon.

According to one expert, Japan has set the following goals:

- to be the largest producer of heavy industrial goods in the world by the 1990s;
- to begin flooding the world with Japanese tractors and earth-moving equipment. One Japanese tractor company has brought out a diesel tractor intermediate in size (between the garden tractor and the small American farm tractor,) which is 30 percent less expensive than comparable American models;
- to take over as world leader in production of ceramics, which use rare earths to make resilient, heat-resistant, and highly malleable industrial products;
- to take leadership in world machine tool production. Japanese machine tools for aluminum-working are now so efficient that Boeing uses them for the assembly of airplane wings;
- to become, by 1987, the world's largest producer of 35-to-125-passenger airplanes.

It is clear that a country that has gone from no market share to over 45 percent in the world's 16-bit microchips market during the 1970s, is capable of achieving the above goals.

It is also clear that Germany may agree to go along with such a world development plan. The U.S. could go along with that plan, but that would require that the Reagan administration free itself from subservience to the interest-rate policy of Fed Chairman Volcker and the credit cutoff policy delivered to the U.S. President by the IMF and BIS. The Japanese leaders are convinced that without restoring a development-oriented policy in Washington, their efforts would ultimately prove futile. One Japanese banker told *EIR*, "Japan cannot do it alone. We haven't the funds. Besides, if many of the developing countries go bankrupt, our banks cannot avoid the disaster." Therefore, the highest objective of Prime Minister Suzuki's mediation efforts at the Cancún summit is to get the United States and the nations of the South to engage in productive dialogue around concrete proposals for development.

Whether the United States joins the plan or not, the Japanese are making the first real concrete offer to avoid a trade collapse that has been seen in a long time.